



85.70

Short-Term Liabilities

85.70.10

May 1, 1999

About short-term liabilities

Short-term liabilities are legal obligations which arise upon the receipt of goods or services. In governmental fund type accounts, short-term liabilities are payable from current, available resources. In proprietary fund type accounts, short-term liabilities are obligations payable within one year. Short-term liabilities are accounted for in the GL Code Series 51XX. Refer to Subsection 75.40.20 of this manual for a description of the various short-term liability general ledger codes.

85.70.20

July 1, 2009

Establishing short-term liabilities

85.70.20.a

The accrual method is used in accounting for the expenditures or expenses of all accounts.

85.70.20.b

Agencies establish liabilities at the end of each accounting period for the following items by account, appropriation, program, object, and sub-object:

- **Utilities** - Actual based on vendor invoices, or estimate based on past experience.
- **Rentals** - Actual based on lease agreements.
- **Travel Expenses** - Actual based on travel vouchers, or estimate based on past experience or prior approval of travel.
- **Payroll Taxes** - Actual based on actual payrolls, or estimate based upon prior pay period.
- **Salaries and Wages** - Actual based on time records, or estimate based upon prior pay period. When accruing salaries and wages, agencies are to also accrue the associated number of Full-Time Equivalent (FTE) staff months.
- All other obligations that have been incurred but not paid, and that are due and payable with current available resources, generally within one year.

- 85.70.20.c A Journal Voucher (A7-A) or other authorized source document is to be prepared to record liabilities. Refer to Subsection 85.85.15 for an illustrative entry.
- 85.70.20.d Liabilities are to be recorded based on the best available information. If the amount of the accrual is known (i.e., the invoice has been received or the amount is otherwise known), the entry is to be made to GL Code 6505 "Accrued Expenditures/Expenses." With prior written approval from the OFM Statewide Accounting (refer to SAAM 1.10.50), non-AFRS warrant producing agencies can use alternate coding for recording Expenditures/Expenses.
- At the end of the expenditure authority period, if the amount is not known, but can be reasonably estimated following the procedures for determining accounting estimates at Subsection 90.20.55, the entry is to be made to GL Code 6560 "Estimated Accrued Expenditures/Expenses." Refer to Subsection 90.30.50.b and d for illustrative entries.
- The payment of liabilities is to be recorded separately from the accrual (or establishment) of liabilities to allow for proper financial reporting, as required by GASB Statement 34.
- 85.70.20.e Each accrual transaction is to be supported by complete documentation. The use of "dummy" or projected accruals as a method to avoid transfers to reserve or circumvent the allotment process is an improper application of accrual accounting and is not to be practiced.

85.70.30

May 1, 1999

Accounts payable

Amounts owed on open account for the purchase of goods or services are recorded in GL Code 5111 "Accounts Payable." The recording of an account payable represents an acknowledgment on the part of the agency that the goods or services have been received and that an actual liability which must be liquidated at a future date exists. Amounts due to other accounts, other agencies or other governments are not reported in this GL code. Such amounts are reported separately in the GL Code 515X Series.

85.70.40

January 1, 2012

Deferred revenues

Governmental funds use the modified accrual basis of accounting which recognizes revenues in the period in which they become measurable and available. Generally, revenues are deemed available if they will be collected either within the current period or soon enough after the end of the period to pay current year liabilities. Revenues deemed unavailable are recorded to deferred revenue (GL Codes 5192 and 5292).

Examples of revenues not available include:

- Revenues associated with receivables that will not be collected within the next 12 months, and
- Contracts for the harvest of timber that extend beyond 12 months.

Refer to Subsection 85.85.24 for an illustrative entry.

85.70.45

January 1, 2012

Unearned revenues

Under both the modified accrual and accrual basis of accounting, revenue may only be recognized when earned. If the asset recognition criteria is met before the earnings process is complete, the asset must be offset by a corresponding liability for unearned revenue (GL Code 5190).

Examples of revenues not yet earned include:

- Advance payments,
- Prepayments made pursuant to agreements,
- Federal loan program advances,
- Insurance premiums billed in advance,
- Prepaid tuition and fees (summer school), and
- Tolls.

Refer to Subsection 85.85.25 for an illustrative entry.

85.70.50

June 1, 2004

Short-term portion of long-term obligations

Amounts due within the next year on long-term obligations are classified as short-term liabilities. Refer to Subsection 85.85.22 for an illustrative entry.