

ACCOUNTING POLICY STATEMENT TWO – GENERAL LONG-TERM LIABILITIES - DEBT

Other than Net Pension and Other Post-Employment Benefit Liabilities, the result of the adoption of GASB 68 and GASB 75 respectively, the most significant liability presented in the state's Statement of Net Position relates to bonds payable. For proprietary and fiduciary funds, where the measurement focus is on economic resources and the basis of accounting is full accrual, the reporting requirements are proscribed by GASB. For general government debt, there is no such fund-level guidance, in part due to the fact financial statement standards are written for and applied to the primary government, not a specific agency or fund. To facilitate production of the state CAFR and to ensure sub-entity financial statements are reflective of their financial position the following guidelines shall be followed.

- Entities that record Bond Proceeds in a governmental fund in the "ACTUALS" ledger, shall record the Bonds Payable and any premium or discount in the full accrual (FULLACCRUE) ledger. In those cases, where this has not occurred, the agency level Government-wide statements appear to overstate the sub-entity's net position. Additionally, when preparing the state CAFR, some bond liability must be manually entered and as a result this liability is not captured in the state's enterprise system.
- Entities responsible for fixed assets that are constructed partially or fully from debt, are also responsible for reporting the related outstanding debt and debt service. This is true even if the debt is serviced from tax intercepts that are sent directly to the entity holding the debt. In that case, the agency responsible for capital asset, as a sub-division of the state, should report the long-term liability and recognize the tax intercept as revenue with offset to debt service interest and principle as appropriate.

The following policy applies to General Obligation, Severance Tax, Revenue and Projects Revolving Fund Program bonds and other types of long-term general government debt. Adoption of this accounting practice will streamline CAFR development and ensure consistency in agency-level financial statements. The first four examples below related to bonds that prior to this policy had not been reported within sub-entity statements but are or will be reported.

1. The Department of Finance and Administration (DFA) shall report the general long term debt obligation related to General Obligation and Severance Tax Bonds that are the responsibility of the State Board of Finance and whose proceeds are included in the capital project funds steward by DFA. The debt disclosed in FY18 was \$1,268M.
2. The Bernalillo County Metropolitan Court shall include the Projects Revolving Fund Program Bond. The debt disclosed in FY18 was \$20M
3. General Services Department shall report \$39M of the Projects Revolving Fund Program Bonds
4. UNM Health Science Center shall report \$20M of the Projects Revolving Fund Program Bonds
5. Spaceport America already reports their long-term debt so there would be no change.
6. The same is true of DOT, as they report all bonds it would be responsible for.

This change is effective with the FY19 published financial statements.

Questions concerning bond reporting should be directed to the agency's Statewide Financial Reporting and Accountability Bureau contact that can be found on the DFA website.