

4. REPORTING

4.8 SAO Annual Report Schedules 4.8.3 Liabilities (Schedule 09)

4.8.3.10 The purpose of this schedule is to provide information about the **liabilities** of the local government.

4.8.3.30 Local governments are **required** to update the incorrect financial data submitted on this schedule. The requirement applies to all errors found prior or during an audit.

4.8.3.40 The schedule should be prepared on the same basis of accounting, for the same period and reporting entity, and using the same underlying accounting records as the Schedule 01 and financial statements. The schedule should include current and noncurrent portions of the local government's liabilities.

4.8.3.50 The schedule should exclude the following:

- Payments due to vendors or employees that are expected to be paid normally as part of the disbursement cycle, such as any accounts payable and payroll accruals that may not have been resolved during the open period.
- Operating leases or other contracts or commitments for future purchase of goods or services that have not yet been realized.
- Interfund payables and loans (for details regarding interfund loans see [Loans](#)).
- Liabilities of agency funds.
- Assessment debt without commitments.

4.8.3.60 Governments should not report liabilities of fiduciary funds for which the government is not itself obligated. For example, a county would not report liabilities of special purpose districts.

4.8.3.71 Proper classification of grant and loan transactions require the analysis of the underlying documentation. For accounting purposes, the criteria for determining if a funding source is a grant (revenue) or loan (liability) is the existence of a note payable or loan contract. For annual report purposes, Schedule 9 should report all loans. Schedule 16 should report all federal grants, including grant loans – that is, loans from federal granting agencies that have continuing compliance requirements as described in the Schedule 16 instructions. For this reason, federal grant loans will be reported on both the Schedule 9 and 16.

4.8.3.81 A loan with a forgiveness clause is a contract that contains provisions for the loan to be forgiven if certain criteria is met. For example, a grantor may provide a loan to a government to construct a building and allow for forgiveness of the loan if the building is used for low income housing for 40 years. Most loans with forgiveness clauses do not require any payments for a specified time, but some can require regular payments or interest-only payments. Transactions should be reported as loans if a note payable or loan contract is outstanding, even if the grantor does not require payments and the loan includes a forgiveness clause that the government expects to eventually meet. Assets reported from loans with forgiveness clauses must be reported with a corresponding liability (loan payable) while the note payable or a loan contract is outstanding. Terms of these transactions need to be presented in the notes to the financial statements. The disclosures should include the assets acquired with the resources, conditions to be met for the transaction to become a grant, what circumstances require repayment, and the amount to be repaid (e.g., interest, appreciated value, etc.). When a government has satisfied the criteria for the loan to be forgiven, grant revenue can be recognized and the liability removed.

A recoverable grant is a contract where the grantor can require repayment if the government fails to fulfill the requirements. Some recoverable grant contracts also require return of the appreciation in value of the asset as well as the original funding amount. Recoverable grants are non-exchange transactions and should be reported as revenue when the eligibility requirements are met. If the government has received a recoverable grant, the conditions for recoverability must be disclosed in the notes to the financial statements. The items requiring disclosure include: the asset the grantor has an interest in, the amount the grantor can require to be returned, and the conditions that trigger return of the grantor interest.

4.8.3.90 All debt should be listed on Schedule 09, regardless if it is for operating, capital or refunding purposes. Debt should be reported at face value (that is, only the principal amounts of debt should be reported and not any anticipated interest).

Refunding transactions (including advance refunding through legal or in-substance defeasance) should be reported on the schedule as reduction of the refunded debt and addition of the new debt.

4.8.3.100 All the following types of liabilities should be included in the schedule using the most appropriate identifying number.

I.D. No. GENERAL OBLIGATION DEBT/LIABILITIES

A general obligation debt or liability is one that is secured by a pledge of the full faith and credit of the government and its taxing power. This means that the government would be obligated to repay the debt using all available means, including raising taxes to the extent allowable by law. General obligation debt and liabilities are subject to constitutional and, for certain government types, statutory debt limits.

- 251.11 Non-voted general obligation bonds, excluding those issued for certain purposes listed below
- 251.12 Voted general obligation bonds, excluding those issued for certain purposes listed below
- 251.21 Voted general obligation bonds for utility purposes issued by cities and towns
- 251.22 Voted general obligation bonds debt for open space, parks, and capital facilities issued by cities and towns
- 251.31 Non-voted general obligation bonds for metropolitan municipal corporations issued by counties
- 251.32 Voted general obligation bonds for metropolitan municipal corporations issued by counties
- 251.41 Non-voted general obligation bonds for construction issued by ports
- 251.42 Non-voted general obligation bonds for airport improvements issued by ports
- 251.43 Voted general obligation bonds for airport improvements issued by ports
- 251.44 Voted general obligation bonds for foreign trade zones issued by ports
- 263.51 Capital leases, lease-purchase agreements, conditional sales and COPS
- 263.61 Notes payable (e.g., promissory notes, BANs, TANs, GANs, etc.)
- 263.81 Loans and other obligations to the federal government or other out-of-state governments
- 263.83 Loans and other obligations to Washington state agencies (except LOCAL and Public Works Trust Fund loans)
- 263.85 Loans and other obligations to other Washington local governments
- 263.87 Public Works Trust Fund loans
- 263.91 Miscellaneous debt (e.g., lines of credit, etc.)
- 263.96 LOCAL program
- 263.98 Miscellaneous liabilities

I.D. No. REVENUE and OTHER (non G.O.) DEBT/LIABILITIES

Include in this category all obligations that do not have a specific general obligation pledge debt regardless of the fund type that is reporting this debt or liability. This category should include revenue debt, other secured debt (e.g., mortgages, etc.) and unsecured debt (e.g., compensated absences, etc.). Exclude the assessment debt. Revenue debt is secured by a pledge of revenue from a particular activity, such as a water utility. Unsecured debt and liabilities are those that do not specifically pledge an asset as collateral or revenue source for repayment. In cases where a debt or liability is secured by either a revenue or asset *as well as* a specific pledge of the government's full faith and credit, the debt should be classified as *general obligation* using the codes listed above.

- 252.11 Non-voted revenue bonds
- 252.12 Voted revenue bonds
- 259.12 Compensated absences
- 263.12 Claims and judgments
- 263.22 Liabilities for landfills closure and postclosure
- 263.40 Revenue warrants
- 263.52 Capital leases, lease-purchase agreements, conditional sales and COPS
- 263.62 Notes payable (e.g., promissory notes, BANs, TANs, GANs, etc.)
- 263.72 Arbitrage rebate tax
- 263.82 Loans and other obligations to the federal government or other out-of-state governments
- 263.84 Loans and other obligations to Washington state agencies (except LOCAL and Public Works Trust Fund loans)
- 263.86 Loans and other obligations to other Washington local governments
- 263.88 Public Works Trust Fund loans
- 263.92 Miscellaneous debt
- 263.97 Environmental liabilities (pollution remediation, etc.)
- 263.99 Miscellaneous liabilities
- 264.30 Pension liabilities
- 264.40 OPEB liabilities

I.D. No. ASSESSMENT DEBT/LIABILITIES (with commitments)

An assessment debt or liability is issued by the government but secured only by revenue from taxes on a certain area, such as a Local Improvement District. Only assessment debt with commitments should be reported on the Schedule 09. If the government is obligated in some manner to assume payments on special assessment debt in the event of default by the property owners, it is assumed the government has a *commitment*. In cases where the debt or liability is also secured by the government's full faith and credit, the debt should be classified as *general obligation* using the codes listed above.

- 253.11 Special assessment bonds with commitments
- 253.13 Road Improvement District (RID) debt
- 253.15 County Road Improvement District (CRID) debt
- 253.43 Local Improvement District (LID) warrants with commitments
- 253.63 Local Improvement District (LID) notes payable with commitments
- 253.98 Miscellaneous assessment debt with commitments

4.8.3.110 **INSTRUCTIONS TO PREPARER**

Identifying Number: Include appropriate number (see the listing on the previous page).

Description: Include the identifying name, number and/or description of the debt or liability. For bonds, notes and other loans, list each debt issue separately providing date of original issuance. List each obligation separately.

Due Date: Use this column if there is a fixed date for final payment (maturity) of the liability. If there is no fixed date for final payment, this column should be left blank.

Beginning Balance: This column should include the amount that was owed at the beginning of this period. **The amount shown should equal the last year ending balance.** If there is a discrepancy, please attach an explanation. Amounts should be rounded to the nearest dollar.

Additions: In this column report the entire amount of any new debt, any additional debt issued (or borrowed) and any increase in liabilities during the current period. For example, if a G.O. bond was authorized in the previous year at \$5,000,000, with \$4,000,000 issued that year and an additional \$500,000 issued in the report year, this column should show \$500,000.

Reductions: In this column, report the amount of debt that was paid or reduction of liabilities during reported period. Do NOT include interest paid on the redeemed debt. The total amount of redeemed debt should equal payments reported on Schedule 01 (object code 70). Include here decreases due to triggering a forgiveness clause or otherwise having debt forgiven.

BARS Code for Redemption: Applies to debt only. **The code is optional except for cities and counties which are required to use 59195 for all debt related to streets and roads.** This column is not presented in the final version of the schedule.

Ending Balance: In this column, report the amount of debt and other liabilities that were owed at the end of reported period.

Ending balance is calculated by adding Beginning Balance and Additions and subtracting Reductions.

4.8.3.120

The template for Online Filing is available on the SAO's website page at [BARS Reporting Templates](#). When using the Online Filing option, the system will create the schedule based on data provided by the local government on the template. Governments can manually enter the information or upload an Excel file that adheres to the prescribed record layout. The prescribed record layout is shown in the template provided on the website. The following is an example of a completed schedule.

**City of Example
Schedule of Liabilities
For the Year Ended December 31, 201X**

<u>Debt Type</u>	<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligations							
	263.51	Xerox	11/20/2017	2,274	-	371	1,903
		Total General Obligations:		22,379	14,841	19,909	17,311
Revenue Obligations							
	252.11	DOE L9800024	1/1/2019	69,784	-	9,969	59,815
	252.11	DOE L9800025	1/1/2019	50,000	-	7,692	42,308
	252.11	PW 07 962-014	7/1/2027	346,578	-	23,105	323,473
	252.11	Columbia--Water	6/1/2027	799,030	-	48,339	750,691
	252.11	Columbia--Sewer	6/1/2027	605,956	-	36,658	569,298
	263.52	Copy Machine	11/30/2027	4,548	-	742	3,806
	259.12	Compensated Absences		31,472	17,323	20,912	27,883
		Total Revenue Obligations:		1,907,368	17,323	147,417	1,777,274
		Total Liabilities:		1,929,747	32,164	167,326	1,794,585