

3. ACCOUNTING

3.4 Liabilities

3.4.11 Accounting for LOCAL Program Financing Activities

3.4.11.10 Local governments have an efficient financing option – the [LOCAL program](#) – that allows them to pool funding needs into large offerings of securities issued by the State Treasurer in order to take advantage of favorable market conditions.

3.4.11.20 Washington governments may use the LOCAL program to purchase equipment or real estate – everything from radios and computer systems to fire or police cars to building improvements or other construction.

Accounting

3.4.11.30 This innovative financing mechanism is not subject to any special accounting or reporting standards. The transactions should be reported as soon as the debt is issued and the available resources placed in the Local Governments Investment Pool (LGIP). The remittance of reimbursement requests to the Office of the State Treasurer does not necessarily date the liability has been incurred by the loaning entity.

3.4.11.40 Debt proceeds should be reported in the fund responsible for its repayment. Sometimes this may be a different fund than the fund that is actually using the capital asset. As with other general obligation debt, a local government may use the debt service fund to account for these debt payments.

3.4.11.50 Resources provided by the LOCAL financing agreements should be posted to the account 3919000, *Other Debt Proceeds*. Governments should also record premium or discount to 3920000, *Premiums on Bond Issued* or 592PP80, *Interest and Other Debt Service Cost*, respectively. Since the cash basis governments do not amortize premiums and discounts, only the face value of the debt (recognized within 3919000) is reported on the Schedule 09.

The payment of the debt principal should be recorded to account 591PPP0, *Redemption of Debt*.

The purchase of the asset should be coded to 594PPP0, *Capital Expenditures*.

3.4.11.60 The State Treasurer holds LOCAL program proceeds and makes direct payments to vendors to and from the government's specially designated LGIP account. Although proceeds are received and payments made by the State Treasurer, the government has to account and report both transactions made on its behalf: debt issuance and capital assets purchase.

3.4.11.70 The accounting for and reporting of capital assets acquired with LOCAL program money are identical to those requirements for assets purchased through debt issued by the local government.

Reporting

3.4.11.80 LOCAL program proceeds must be reported as long-term debt in the financial statements and included in the Schedule 09, *Liabilities*.

Debt incurred under this program may be considered either voted or non-voted and it should be included in the calculation of the local government's debt limitation (see [Compliance, Limitation of Indebtedness](#)).