

<b>OREGON ACCOUNTING MANUAL</b>		Number 15.15.00.PO
Oregon Department of Administrative Services State Controller's Division		Effective Date July 27, 2005
Chapter	<b>Accounting and Financial Reporting</b>	.1 OF .3
Part	<b>Investments</b>	
Section		Approval  Signature on file at SCD

Authority [ORS 291.040](#)  
[ORS 293.590](#)  
 GASB Statement No. 3  
 GASB Statement No. 31  
 GASB Statement No. 34  
 GASB Statement No. 40  
 Accounting Research Bulletin No. 43

**Purpose**

- .101 This policy establishes classification criteria, valuation guidelines, and disclosure requirements for state agencies that report investments for both agency and statewide accounting and financial reporting purposes. All investments shall be reported and disclosed in accordance with [generally accepted accounting principles \(GAAP\)](#). This policy applies to all state agencies that have investments held at or outside the Oregon State Treasury (State Treasury), including investments held in trust.

**Investment Classification and Valuation**

- .102 Agencies shall report all investments at fair value except non-participating investment contracts, those investments not held for investment purposes, and [Oregon Short Term Fund \(OSTF\)](#) investments held in State Treasury with remaining maturities of 90 days or less. Refer to the accompanying procedure ([OAM 15.15.00.PR](#)) for examples of investments that are reported at fair value.
- .103 Fair value information is available from different sources depending on where investments are held. Agencies shall obtain fair value information from the State Treasury for investments held at the State Treasury. For investments of COP and Lottery Bond proceeds administered by the Budget and Management Division (BAM) of the Department of Administrative Services, fair value information is available from BAM. For other investments held outside the State Treasury, agencies shall obtain fair value information from other reliable sources.
- .104 Some investments are not required by GAAP to be reported at fair value. Refer to the accompanying procedure for examples of investments not subject to fair value reporting. Investments not subject to fair value reporting should be accounted for in R\*STARS at cost or amortized cost.
- .105 In some cases, legal or contractual provisions may require agencies to account for investments at cost or amortized cost even though those investments should be reported at fair value. In cases where investments are accounted for at amortized cost and where those same investments are required by GAAP to be reported at fair value, agencies must make year end adjustments to

- adjustments to reflect the change in fair value.
- .106 Investments that meet the definition of **restricted assets** must be recorded in the appropriate general ledger accounts to report separately from investments that are not restricted. Refer to the accompanying procedure for more information on restricted investments.

### Financial Statement Presentation

- .107 Agencies shall report all applicable investments at fair value. This will be done by combining investment accounts and related investment valuation accounts in the financial statements.
- .108 For investments subject to fair value reporting, all investment income (including changes in fair value and realized gains and losses) shall be recognized as revenue on the operating statement. Changes in the fair value of investments (unrealized gains and losses) should be reported as a component of investment income, along with interest and gains or losses on sales of investments. If identified separately as an element of investment income, the change in the fair value of investments should be titled "Net Increase (Decrease) in the Fair Value of Investments".
- .109 Changes in the fair value of investments are not cash flow statement transactions. The change in fair value of investments is reported in a schedule separate from the Statement of Cash Flows. The schedule may be presented, if space permits, on the same page as the Statement of Cash Flows as long as the change in fair value is identified as noncash activity.

### Disclosure Requirements

- .110 All applicable disclosures for investments that are required by GAAP shall be included in the notes to the **Comprehensive Annual Financial Report (CAFR)**. Each year, agencies shall provide Statewide Accounting and Reporting Services (SARS), with disclosure information about investments by completing year end disclosure forms. Agencies that prepare separate audited financial statements shall include all applicable investment disclosures in the notes to their financial statements and should refer to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and For External Investment Pools*, GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, as well as GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*. Disclosure requirements include the following:
- a. The methods and significant assumptions used to estimate the fair value of investments when estimates are used by agencies (e.g., in cases where the fair value is based on other than quoted market prices).
  - b. Instances where income from investments is directly recognized in a fund other than the fund that holds the investments. The term "fund" in this context refers to GAAP fund types; for example, general fund, special revenue fund, or internal service fund.
  - c. Information about the **interest rate risk** of investments in debt securities as indicated by disclosure of investment maturities using the segmented time distribution method.
  - d. The reported amount of investments that are exposed to **custodial credit risk** at fiscal year end listed by investment type, including a description of how the investments are held.
  - e. Information about the **credit risk** associated with investments in debt securities as indicated by disclosure of credit quality ratings of debt securities by investment type and by credit quality rating. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

- f. Information about the **concentration of credit risk** through identification, by amount and issuer, of investments in any one issuer (entity that has the authority to distribute a security or other investment) of five percent or greater than the total investments within a single GAAP Fund (or other level of reporting, as appropriate). Concentration of credit risk is the risk of loss attributed to the magnitude of the State's (or an agency's) investment in a single issuer.
- g. Information about the **foreign currency risk** of all investments by disclosure of the U.S. dollar balance of investments exposed to foreign currency risk, separated by investment type for each foreign currency.
- h. Investment policies that are related to interest rate risk, custodial credit risk, credit risk, concentration of credit risk, and foreign currency risk.