

OREGON ACCOUNTING MANUAL	
Subject: Accounting and Financial Reporting	Number: 15.10.00
Division: State Controller's Division	Effective date: May 20, 2010
Chapter: Accounting and Financial Reporting	
Part: Cash and Cash Equivalents	
Approved: John Radford, State Controller	Signature on file at SCD

PURPOSE: This policy provides guidance on accounting and financial reporting for cash and cash equivalents.

AUTHORITY: **ORS 291.040**
ORS 293.590
 GASB Statements No. 3
 GASB Statements No. 9
 GASB Statements No. 34
 GASB Statements No. 40

APPLICABILITY: This policy applies to all state agencies included in the state's financial statements, except those agencies specifically exempted by OAM policy 01.05.00.

DEFINITIONS: **Cash:** Includes currency on hand and currency in deposits with banks or other financial institutions. Cash also includes deposits in accounts or cash management pools that have the general characteristics of demand deposit accounts, i.e., an agency may deposit additional cash at any time and effectively withdraw cash at any time without prior notice or penalty.

Cash equivalents: Short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. Examples of common cash equivalents include U.S. Treasury bills, commercial paper, certificates of deposit, money market funds, and cash management pools.

NOTE: Original maturity means the original maturity to the state (the holder of the investment). For example, both a three-month U.S. Treasury bill and a three-year U.S. Treasury note purchased three months from maturity qualify as cash equivalents. However, a U.S. Treasury note purchased three years ago does not become a cash equivalent when its remaining term is three months.

Custodial credit risk: The risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities in the possession of an outside party.

Foreign currency risk: The risk that changes in exchange rates will adversely

affect the fair value of an investment or deposit.

POLICY:

101. Agency management is responsible for ensuring the proper accounting and reporting of cash and cash equivalents.
102. Cash and cash equivalents include the following types of deposits and financial instruments:
 - a. Cash on hand.
 - b. Cash deposits in the Oregon State Treasury.
 - c. Cash deposits with banks, savings and loan associations, and credit unions.
 - d. Cash deposits in designated/restricted, agency-specific investment funds held by a trustee or custodian at a depository bank.
 - f. Cash deposits within certificates of participation or bond investment funds held by a trustee or custodian in a depository bank for one or more state agencies.
 - g. Cash deposits in commercial mortgage-security-reserve accounts.
 - h. Cash deposits with custodial banks, which act as agents on behalf of the Oregon Public Employees Retirement System.
 - i. Treasury bills, commercial paper, certificates of deposit, and money market funds.
 - j. The **Oregon Short-term Fund (OSTF)**, which includes the **Local Government Investment Pool**. *(NOTE: The OSTF operates as a demand deposit account; therefore, this balance is recorded as "Cash in Treasury" in R*STARS. However, for financial statement disclosure purposes, the invested balance of the OSTF is included in the investment detail.)*
103. Agencies classify cash and cash equivalents as current assets when there are no restrictions that limit an agency's ability to use these resources to pay current liabilities.
104. Agencies classify cash and cash equivalents as **restricted assets** when constraints limit the availability of these resources and those constraints are either:
 - a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or
 - b. Imposed by law through constitutional provisions or enabling legislation.

Example: Reclassify cash and cash equivalents set aside to repay long-term debt (as required by a bond indenture or COP financing agreement) to *restricted* cash and cash equivalents.
105. Agencies account for cash and securities owned by individuals and entities external to state government separately in general ledger (GL) accounts that denote these assets are custodial in nature. Agencies have a fiduciary duty not to commingle custodial assets with their own accounts.

PROCEDURES:

Reporting Cash and Cash Equivalents

106. At year-end, reclassify restricted cash and cash equivalents held outside the State Treasury to GL Account 0928, Cash and Cash Equivalents - Restricted Noncurrent. In the first month of the new fiscal year, reverse these reclassifications.
107. When restricted cash and cash equivalents are in the State Treasury and recorded in GL Account 0070, Cash on Deposit with Treasurer, complete the applicable year-end General Disclosure form to indicate the restricted amount. The State Controller's Division (SCD) will use the General Disclosure form to reclassify the restricted amount to the appropriate balance sheet classification for financial statement purposes. Restricted cash should not be reclassified in R*STARS to ensure proper cash control.
108. Use the following GL accounts to report cash and cash equivalents, including deposits held in a custodial capacity. See OAM 60.10.00 for definitions of each general ledger account.

- 0065 Unreconciled Deposit
- 0070 Cash on Deposit with Treasurer
- 0072 Cash on Hand
- 0075 Cash on Deposit - Suspense Account at Treasury
- 0077 Cash in Bank
- 0080 Cash with Fiscal Agents - Restricted Current
- 0081 Cash with Fiscal Agents - Unrestricted
- 0085 Cash Equivalents
- 0335 Savings and TCD Held in Trust (custodial assets)
- 0928 Cash and Cash Equivalents - Restricted Noncurrent

Disclosure Requirements

109. SCD must include the information listed below in the notes to the **Comprehensive Annual Financial Report**. Agencies provide this information by completing the applicable year-end General Disclosure forms. Agencies that issue their own separately audited financial statements must include similar disclosures.
 - a. Significant violations of legal or contractual provisions for deposits.
 - b. A description of the constraints imposed on restricted cash and cash equivalents.
 - c. The bank balance of deposits exposed to **custodial credit risk**.
 - d. The U.S. dollar balances of deposits exposed to **foreign currency risk**, organized by currency denomination.