

# OREGON ACCOUNTING MANUAL

<b>SUBJECT:</b> Accounting and Reporting	<b>Number:</b> 15.75.00
<b>DIVISION:</b> Chief Financial Office	<b>Effective date:</b> July 1, 2012
<b>Chapter:</b> Accounting and Financial Reporting	
<b>Part:</b> Claims and Judgments	
<b>Section:</b>	
<b>APPROVED:</b> George Naughton, Chief Financial Officer	Signature on file

**PURPOSE:** This policy provides guidance on accounting and financial reporting for claims and judgments payable in accordance with generally accepted accounting principles (GAAP).

**AUTHORITY:** **ORS 293.590**  
 NCGA Statement No. 4  
 GASB Statement No. 10

**APPLICABILITY:** This policy applies to all state agencies included in the State’s annual financial statements, except for those agencies specifically exempted by [OAM Policy 01.05.00](#).

**DEFINITIONS:** A **claim** is a demand for payment of damages, or a policy benefit for insured risks resulting from the occurrence of an event such as personal injury or property damage.

A **judgment** is an obligation created by a decision of the court.

**POLICY:**

101. Agency management must ensure the proper accounting and reporting of claims and judgments.
102. The Risk Management Division of the Department of Administrative Services manages claims for tort liability, property damage, and workers’ compensation centrally for state agencies. Risk Management reports an estimated liability that includes incurred but not reported claims for these charges. Risk Management allocates costs to agencies based on historical costs of claims.
103. Agencies must provide information about claims and judgments payable by completing the applicable general disclosure forms included in the year-end General Disclosures package. Agencies that prepare audited financial statements must report and disclose applicable information in their own financial statements.

## **PROCEDURE:**

104. Accrue a liability for claims and judgments when it is probable that the agency has incurred a loss and can reasonably estimate the amounts in question. If the estimate of loss is a range of possible amounts, with no amount in the range more probable than any other, accrue the minimum of the range. In this case, disclose the range of possible loss amounts in the notes to the financial statements.
105. If the possibility that the agency has incurred a loss is probable or reasonably likely, but the agency cannot reasonably estimate the amount, then disclose the nature of the contingent loss in the notes to the financial statements. Include in the disclosure either a range of possible losses, or a statement that no estimate of the amount of loss can be made.
106. Do not report claims and judgments in governmental funds until they are due and payable. Record governmental fund obligations not payable from current financial resources in the **government-wide reporting fund**, so that the government-wide financial statements will include them.
107. Record the noncurrent portion of obligations for claims and judgments payable in general ledger account 1717, Claims and Judgments Payable. At fiscal year end, reclassify the current portion of claims and judgments payable to general ledger account 1617, Claims and Judgments Payable-Current using transaction code 475.

## **Disclosure requirements**

108. Notes to the financial statements should include the following information about claims and judgments payable:
  - a. beginning- and end-of-year balances (regardless of whether the government-wide financial statements present prior-year data)
  - b. increases and decreases (separately presented)
  - c. the amount that is due within one year of the statement date
  - d. which governmental funds typically have liquidated claims and judgments payable in prior years
  - e. the range of possible loss amounts, if applicable (see paragraph 104)
  - f. the nature of any contingent loss for which the amount of the possible loss cannot be reasonably estimated (see paragraph 105)