
Secretary of State

State of Oregon

OREGON SHORT-TERM FUND

For the Years Ended June 30, 1999, and 1998



Audits Division

Secretary of State

State of Oregon

OREGON SHORT-TERM FUND

For the Years Ended June 30, 1999, and 1998



Audits Division

OFFICE OF THE
SECRETARY OF STATE
Phil Keisling
Secretary of State
Suzanne Townsend
Deputy Secretary of State



AUDITS DIVISION
John Lattimer
Director

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Auditing for a Better Oregon

The Honorable John A. Kitzhaber, M.D.
Governor of Oregon
State Capitol
Salem, Oregon 97310

The Honorable Jim Hill, State Treasurer, and
the Oregon Short-Term Fund Board
Oregon State Treasury
350 Winter Street NE, Suite 100
Salem, Oregon 97310-0840

This audit was conducted for the purpose of reporting on the Oregon Short-Term Fund's (OSTF) financial statements as of and for the year ended June 30, 1999, and the OSTF's compliance with applicable laws and regulations and its internal control over financial reporting.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

As also required by those standards, we reviewed the OSTF's compliance with applicable laws and regulations. We also considered the OSTF's internal control over financial reporting as we determined necessary to form an opinion on the financial statements. Our comments regarding compliance and internal control over financial reporting are presented in the Audit Results section of this report.

OREGON AUDITS DIVISION

John N. Lattimer
Director

Fieldwork Completion Date:
August 13, 1999

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SUMMARY

BACKGROUND

The Oregon Short-Term Fund (OSTF) is a cash and investment pool that is available for use by all state funds and local governments. It is maintained by the State Treasurer as part of the Investment Division within the Oregon State Treasury. For state funds, the pool operates as a demand deposit account, resulting in each fund type's portion of the pool to be classified as cash and cash equivalents in the State of Oregon's Comprehensive Annual Financial Report.

The Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, subdivision, or public corporation of the state. Currently, there are over 900 local governments participating in the pool. The LGIP, with an average balance of approximately \$3.1 billion, comprises almost one-half of the OSTF. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual Financial Report.

The Oregon Short-Term Fund Board (Board), established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP.

AUDIT PURPOSE

The audit was conducted for the purpose of reporting on the OSTF's financial statements for the year ended June 30, 1999, and on the OSTF's internal control over financial reporting and its compliance with applicable laws and regulations.

AUDIT RESULTS

This audit concludes that the OSTF's financial statements for the year ended June 30, 1999, which are included in this report, are fairly presented. Additionally, our tests disclosed no instances of noncompliance required to be reported herein under *Government Auditing Standards*, nor did we note matters involving internal control over financial reporting that we consider to be material weaknesses. Our report on compliance with applicable laws and regulations and internal control over financial reporting is included herein.

INTRODUCTION

ORGANIZATION AND FUNCTIONS

The Oregon Short-Term Fund (OSTF) is a cash and investment pool that is available for use by all state funds and local governments. The OSTF is managed by the Investment Division of the State Treasury within the guidelines established in the OSTF Portfolio Rules. The rules outline specific requirements for maturity distribution and diversification of the portfolio.

The Oregon Short-Term Fund Board (Board) serves as the advisory board to the OSTF under Oregon Revised Statutes (ORS) Chapter 294. The Board advises the Oregon Investment Council and the State Treasurer in the management of the LGIP and in the investment of all state funds that are not subject to the control and administration of officers or bodies specifically designated by law. The Board consists of seven members who serve four-year terms. Members include the State Treasurer or his designee, three nonpublic members appointed by the State Treasurer and three members appointed by the Governor who are treasurers, financial or fiscal officers or business managers of any county, city, or school district.

FINANCIAL ACTIVITIES

The OSTF is an external investment pool as defined in Statement No.31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Statement No. 31 requires certain investments to be reported at fair value. The OSTF determines fair value annually. Investments that are not reported at fair value are reported at amortized cost, which approximates fair value.

Local governments are considered external participants in the OSTF. State agency participants are considered internal involuntary participants, because state law requires state agencies to deposit all funds with depositories qualified by the State Treasury. State funds are commingled with LGIP funds in the pool.

The OSTF calculates and accrues pool interest daily based on the ending account balances of LGIP participants and state agencies. The interest rate approximates the actual yield of the OSTF, excluding unrealized gains and losses. Interest distributions occur monthly. Total participant account balances equaled \$6.2 billion at June 30, 1999.

AUDIT RESULTS

OFFICE OF THE
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Oregon Short-Term Fund (OSTF) as of and for the year ended June 30, 1999, and have issued our report thereon dated August 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the OSTF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the OSTF's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might

be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Oregon State Treasurer, the Oregon Short-Term Fund Board, the Oregon Investment Council, management of the Oregon State Treasury, the governor of the state of Oregon, and the Oregon Legislative Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

OREGON AUDITS DIVISION

Sharron E. Walker, CPA, CFE
Deputy Director

August 13, 1999

COMMENDATION

The courtesies and cooperation extended by management and staff of the Oregon State Treasury during the course of our audit were very commendable and sincerely appreciated.

AUDIT TEAM

Joel E. Leming, CPA, Audit Administrator
Janice I. Richards, CPA
Ronald H. Forehand

FINANCIAL SECTION

We have audited the accompanying financial statements of the Oregon Short-Term Fund (OSTF), as listed in the table of contents, as of and for the year ended June 30, 1999. These financial statements are the responsibility of OSTF management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the OSTF as of June 30, 1998, were audited by other auditors whose report dated August 7, 1998, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Oregon Short-Term Fund as of June 30, 1999, and the changes in its net assets for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Investments and Cash Equivalents listed as supplementary information in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the OSTF.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The Year 2000 Information and Readiness Disclosure presented as supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the OSTF is or will become Year 2000 compliant, that the OSTF's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the OSTF does business are or will become Year 2000 compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 13, 1999, on our consideration of the OSTF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is separately presented in the Audit Results section of this report.

OREGON AUDITS DIVISION

Sharron E. Walker, CPA, CFE
Deputy Director

August 13, 1999

OREGON SHORT-TERM FUND
Statement of Net Assets
(Dollars in Thousands)

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Assets:		
Cash equivalents	\$ 2,515,417	\$ 4,155,658
Investments	4,143,830	1,673,853
Receivable from broker	49,746	-
Accrued interest receivable	<u>18,782</u>	<u>21,802</u>
 Total assets	 <u>6,727,775</u>	 <u>5,851,313</u>
Liabilities:		
Due to General Fund (note 2)	-	6,326
Due to State Treasury (note 6)	-	76
Bank overdraft (note 7)	34,149	1,779
Obligations under securities lending	<u>531,922</u>	<u>460,479</u>
 Total liabilities	 <u>566,071</u>	 <u>468,660</u>
 Net assets held in trust for participants (note 2)	 \$ <u>6,161,704</u>	 \$ <u>5,382,653</u>

See accompanying notes to financial statements.

OREGON SHORT-TERM FUND
Statement of Changes in Net Assets
(Dollars in Thousands)

	<u>Year ended</u> <u>June 30, 1999</u>	<u>Year ended</u> <u>June 30, 1998</u>
Additions:		
Participants' contributions net of withdrawals	\$ 785,167	\$ 11,199
Investment income, net of expenses (notes 2, 6)	<u>321,053</u>	<u>343,173</u>
Total additions	<u>1,106,220</u>	<u>354,372</u>
Deductions:		
Distributions of interest to participants	305,369	320,064
Securities lending agent fees expense	151	159
Securities lending borrowers' rebate expense	<u>21,649</u>	<u>24,158</u>
Total deductions	<u>327,169</u>	<u>344,381</u>
Net increase	779,051	9,991
Net assets held in trust at beginning of year	<u>5,382,653</u>	<u>5,372,662</u>
Net assets held in trust at end of year (note 2)	\$ <u>6,161,704</u>	\$ <u>5,382,653</u>

See accompanying notes to financial statements.

OREGON SHORT-TERM FUND
Notes to Financial Statements
June 30, 1999, and 1998

(1) Organization of the Fund

The Oregon Short-Term Fund (Fund) is one of five asset classes approved for the investment of State of Oregon (State) funds. A number of local governments in Oregon as well as all State agencies participate in the Fund, thus it is an external investment pool as defined in Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The Fund is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested and the investments managed as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The Fund was in compliance with all portfolio guidelines at June 30, 1999.

According to ORS 295.025, state agencies must deposit all funds with depositories qualified by the State Treasury. Undesignated funds not required to meet current demand are deposited in the Fund; therefore, State agencies are considered involuntary participants of the Fund. Because the Fund operates as a demand deposit account for State agency participants, the portion of the Fund belonging to State agency (internal) participants is classified as cash and cash equivalents on the combined balance sheet in the State's Comprehensive Annual Financial Report. The portion of the Fund belonging to local government (external) participants is reported in an investment trust fund in the State's Comprehensive Annual Financial Report.

(2) Summary of Significant Accounting Policies

Basis of Accounting. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Trade date accounting is observed, which means that purchases and sales of securities are recorded on the day the trade takes place with a corresponding payable to or receivable from the broker. Interest income and expenses are recognized on an accrual basis. Changes in the fair value of investments are recognized at the end of each year. The fair value of investments is determined annually and is equal to market price.

Cash Equivalents. Investments with original maturities of three months or less are considered cash equivalents and are reported at amortized cost, which approximates fair value.

Oregon Short-Term Fund
Notes to Financial Statements (continued)
June 30, 1999, and 1998

Investments. Investments with remaining maturities of up to ninety days are carried at amortized cost, which approximates fair value. Investments with longer maturities are carried at fair value.

Reclassifications. Certain prior year amounts have been reclassified to conform with the current year presentation.

Participants' equity; distributions of interest. Participants' account balances in the Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the State Treasury. The interest rate approximates the actual yield of the Fund exclusive of unrealized gains and losses. Beginning April 1, 1999, interest is distributed monthly on the last business day of the month. (If the last day of the month is a weekend or holiday, interest is accrued through the last calendar day of the month but posted on the last business day.) Prior to April 1, 1999, interest distributed to participants' accounts was disbursed from the General Fund, generally prior to receiving the cash income from coupon payments or proceeds from maturities from individual investments. This timing difference resulted in a payable of \$6,326,000 to the General Fund at June 30, 1998.

The following table describes the equity of internal and external participants in the Fund's net assets, and shows that net assets are composed of participants' account balances and undistributed and unrealized gains (losses).

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Net assets held in trust for participants:		
Equity of internal participants	\$ 3,390,994	\$ 2,674,105
Equity of external participants	<u>2,770,710</u>	<u>2,708,548</u>
	\$ <u>6,161,704</u>	\$ <u>5,382,653</u>
Net assets consist of:		
Participants' account balances	\$ 6,167,819	\$ 5,355,865
Undistributed and unrealized gains (losses)	<u>(6,115)</u>	<u>26,788</u>
	\$ <u>6,161,704</u>	\$ <u>5,382,653</u>
Participants' fair value (net assets divided by participants' account balances)	\$ <u>.999</u>	\$ <u>1.005</u>

Oregon Short-Term Fund
Notes to Financial Statements (continued)
June 30, 1999, and 1998

(3) Cash Equivalents and Investments (Dollars in Thousands)

Three categories of credit risk apply to cash equivalents and investments of the Oregon Short-Term Fund:

1. Insured or registered, or securities held by the State or by its agent in the State's name.
2. Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the State's name. (The Fund held no investments in this category at June 30, 1999.)
3. Uninsured or unregistered, with securities held by the counterparty or its trust department or agent not in the State's name.

Investments and cash equivalents held in each category are reported in the Schedule of Custodial Category Risk.

Schedule of Custodial Category Risk
June 30, 1999
(Dollars in Thousands)

	Yield	Maturity dates	Par value	Category		Reported amount*
				1	3	
Investments and cash equivalents— categorized:						
Not on loan:						
U.S. Government and agency	4.75% – 5.51%	7/15/99 – 6/30/00	\$ 3,206,500	3,199,104		\$ 3,199,104
Bankers' acceptances	4.83%	10/4/99	23,000	22,713		22,713
Commercial paper	4.83% – 5.55%	7/1/99 – 9/10/99	2,381,829	2,375,412		2,375,412
Time certificates of deposit	4.90% – 5.04%	7/21/99 – 8/18/99	10,950	4,588	6,362	10,950
			5,622,279	5,601,817	6,362	5,608,179
Investments and cash equivalents— not categorized:						
Held by broker-dealers under securities loans:						
U.S. Treasury notes	4.75% – 5.00%	3/31/00 – 6/30/00	514,000			518,980
Securities lending collateral short-term investment fund	5.03% – 5.85%	7/1/99 – 6/3/01	532,088			532,088
			1,046,088			1,051,068
			\$ 6,668,367			\$ 6,659,247

* Reported amount is a combination of amortized cost and fair value. See Note 2.

Oregon Short-Term Fund
Notes to Financial Statements (continued)
June 30, 1999, and 1998

(4) Securities Lending

The State Treasury has authorized its custodian to act as its agent in the lending of the Fund's securities pursuant to a form of loan agreement, in accordance with Fund investment policies. There have been no significant violations of the provisions of securities lending agreements.

The State's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar-denominated cash. Securities lent at year-end for cash collateral are presented as "not categorized" in the schedule of custodial credit risk. Cash collateral is invested in a short-term investment fund maintained by the custodial agent. The Fund's share of the short-term investment fund is presented as "not categorized" in the schedule of custodial credit risk.

Borrowers were required to deliver cash collateral or securities for each loan equal to not less than 102 percent of the market value of the loaned security. The State did not impose any restrictions during the year on the amount of the loans that the securities lending agent made on its behalf. The State is fully indemnified by its securities lending agent against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

The State and borrowers maintained the right to terminate all securities lending transactions on demand; as a consequence, the maturities of investments made with cash collateral generally do not match the maturities of the securities loans. As of June 30, 1999, the State had no credit risk exposure to borrowers related to securities on loan.

(5) Derivatives

The Governmental Accounting Standards Board's Technical Bulletin No. 94-1, *Disclosures about Derivatives and Similar Debt and Investment Transactions*, defines derivatives as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. Derivatives are generally used to enhance return while managing the overall risk of the Fund. Derivatives are not acceptable collateral for repurchase agreements, and the Fund does not hold or issue derivative financial instruments for trading purposes. Following is a summary of derivatives held by the Fund at June 30, 1999.

Asset-backed securities. The Fund participates in a short-term investment fund maintained by the securities lending agent in which the cash collateral received from securities loans is invested. At June 30, 1999, the Fund's balance in the fund totaled \$532,088,000 at fair value. Investments in asset-backed securities accounted for 8.3 percent of the total fair value of the fund at June 30, 1999. At June 30, 1998, the Fund's balance in the fund totaled \$461,518,000 at fair value. Investments in asset-backed securities accounted for 3.2 percent of the total fair value of the fund at June 30, 1998. (Investments in this category are limited to 10 percent of the portfolio.)

Oregon Short-Term Fund
Notes to Financial Statements (continued)
June 30, 1999, and 1998

These securities are issued by major bank holding companies and are collateralized by the revenue streams arising from the banks' credit card and auto loan portfolios.

Floating rate notes. The Fund held floating rate notes issued by U.S. government agencies totaling \$1,050,120,000 and \$1,532,823,000 at June 30, 1999 and 1998 respectively. The coupon rates on these notes are typically reset once per week with reference to a U.S. Treasury bill rate. Floating rate notes are reported at fair value or amortized cost depending on their remaining maturities as described in note 2, above. The short-term investment fund maintained by the securities lending agent in which the Fund participates also invests in floating rate instruments. At June 30, 1999, 16.8 percent of the total fair value of the securities lending agent's fund was invested in asset-backed securities and bank notes with floating rates based on the one-month or three-month LIBOR. At June 30, 1999, 17.9 percent of the total fair value of the securities lending agent's fund was invested in U.S. Government agency securities with floating rates based on the one-month LIBOR, the federal funds rate, or the prime rate. Information on floating rate investments in the short-term investment fund maintained by the securities lending agent at June 30, 1998, is not available.

(6) Management Fees

In accordance with ORS 293.718, the State Treasury may deduct monthly 0.25 basis points of the most recent market value of assets under management for administration and portfolio management. For the years ended June 30, 1999, and 1998, the State Treasury charged the Fund a monthly rate of 0.16 – 0.25 basis points based on average daily balances in the Fund. The fee is deducted from investment income before distribution to participants. Fees charged to the Fund totaled \$1,254,000 and \$993,000 for the years ended June 30, 1999 and 1998, respectively. Prior to April 1, 1999, distribution took place on the first day of the month following month-end, resulting in a payable to the State Treasury of \$76,000 at June 30, 1998.

(7) Bank Overdraft

Bank overdrafts are a recognized and expected occurrence in the operation of the Fund. Daily investment decisions must be made by 1:00 PM Pacific time to coincide with closing of the financial markets; however, the investment officer does not always have full information on net deposits and withdrawals of Fund participants until later in the day.

SUPPLEMENTARY INFORMATION

OREGON SHORT-TERM FUND
Schedule of Investments and Cash Equivalents
June 30, 1999
(Dollars in Thousands)

	<u>Par value</u>	<u>Reported amount</u>	<u>Percentage</u>
Investments and cash equivalents not on loan – categorized:			
U.S. Government securities:			
Agency floating rate bonds:			
Federal National Mortgage Association	\$ 500,000	499,890	
Student Loan Marketing Association	550,000	550,230	
Total agency bonds	<u>1,050,000</u>	<u>1,050,120</u>	15.8%
Agency discount notes:			
Federal Home Loan Mortgage Corporation	370,500	368,013	
Federal National Mortgage Association	525,000	521,811	
Total agency discount notes	<u>895,500</u>	<u>889,824</u>	13.4%
U.S. Treasury notes and bonds	<u>1,261,000</u>	<u>1,259,160</u>	18.9%
Total U.S. Government and agency securities	<u>3,206,500</u>	<u>3,199,104</u>	48.1%
Bankers' acceptances:			
Bank of New York	<u>23,000</u>	<u>22,713</u>	0.4%
Commercial paper:			
Gas transmission:			
Equitable Resources Inc.	\$ <u>35,000</u>	\$ <u>34,935</u>	0.5%
Financial:			
American Honda Finance	149,000	148,580	
Associates Corp. North America	50,000	50,000	
Cortez Capital	76,647	76,385	
Ford Motor Credit	215,000	214,507	
FPL Fuels, Inc.	121,800	121,470	
Gateway Fuel Co	90,795	90,511	
General Electric Capital Corp	105,000	104,637	
General Motors Acceptance Corp	80,000	79,783	
LG&E Capital	112,982	112,331	
National Rural Utilities CFC	242,795	241,843	
Total financial	<u>1,244,019</u>	<u>1,240,047</u>	18.6%

OREGON SHORT-TERM FUND
Schedule of Investments and Cash Equivalents (continued)
June 30, 1999
(Dollars in Thousands)

	<u>Par value</u>	<u>Reported amount</u>	<u>Percentage</u>
Commercial paper, continued:			
Industrial:			
AES Hawaii, Inc.	100,000	99,728	
AES Shady	55,000	54,944	
Arnold Fuel, Inc.	40,785	40,709	
General Electric Company	100,000	100,000	
Koch Industries Inc	125,000	125,000	
	<hr/>	<hr/>	
Total industrial	420,785	420,381	6.3%
Utility-gas:			
Boston Gas Co	\$ 30,543	30,510	
Songs Fuel	12,955	12,922	
	<hr/>	<hr/>	
Total utility-gas	43,498	43,432	0.6%
Utility-electric:			
Allegheny Energy	\$ 168,550	\$ 167,811	
Central Louisiana Electric Co.	50,750	50,627	
Consolidated Edison Co of New York	20,000	19,911	
Florida Power Corp.	37,200	37,113	
Georgia Power	8,310	8,290	
Pacific Corp	45,000	44,916	
PG&E Corporation	19,600	19,584	
Southern Company	189,100	188,603	
Tampa Electric	10,000	9,981	
Virginia Electric & Power	35,000	34,940	
Wisconsin Electric Fuel	55,017	54,841	
	<hr/>	<hr/>	
Total utility-electric	638,527	636,617	9.6%
	<hr/>	<hr/>	
Total commercial paper	2,381,829	2,375,412	35.6%
Time certificates of deposit:			
American Pacific Bank	1,950	1,950	
Bank of the Northwest	4,500	4,500	
Northern Bank of Commerce	1,000	1,000	
Pacific Continental Bank	3,500	3,500	
	<hr/>	<hr/>	
Total time certificates of deposit	10,950	10,950	0.2%
	<hr/>	<hr/>	
Total investments and cash equivalents—categorized	5,622,279	5,608,179	84.3%

OREGON SHORT-TERM FUND
Schedule of Investments and Cash Equivalents (continued)
June 30, 1999
(Dollars in Thousands)

	<u>Par value</u>	<u>Reported amount</u>	<u>Percentage</u>
Investments and cash equivalents – not categorized:			
Held by broker-dealers under securities loans:			
U.S. Treasury notes	514,000	518,980	
Securities lending collateral short-term investment fund	<u>532,088</u>	<u>532,088</u>	
Total investments and cash equivalents—not categorized	<u>1,046,088</u>	<u>1,051,068</u>	15.7%
Total investments and cash equivalents	\$ <u><u>6,668,367</u></u>	<u><u>6,659,247</u></u>	100.0%

OREGON SHORT-TERM FUND
Supplementary Information
June 30, 1999
(UNAUDITED)

Year 2000 Information and Readiness Disclosure

This disclosure is required by the Governmental Accounting Standards Board and is provided pursuant to the Year 2000 Information and Readiness Disclosure Act, Public Law 105-271 (1998).

The Year 2000 problem is caused by software which processes years as only two digits. In an earlier period of computer programming, programmers often developed and maintained date fields with only two-digit years in an effort to conserve computer resources and memory.

Treasury established a Year 2000 Project Management Team to create awareness and to evaluate and address Year 2000 issues for Treasury's computer and embedded systems, including those that affect the Oregon Short-Term Fund. Treasury conducted a comprehensive inventory of its computer and embedded systems to identify potential problems and developed plans to resolve those problems. A variety of third parties assisted Treasury in its efforts to assess, remediate, validate and mitigate risks related to Treasury's Year 2000 problem. These efforts, which are substantially complete, are intended to reduce the number and seriousness of potential failures, and to provide Treasury with the ability to respond to any failures relating to the Year 2000 problem that may occur.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of Treasury's remediation efforts will not be fully determinable until the Year 2000 and thereafter; therefore, Treasury cannot guarantee that its remediation efforts will be completely successful. Further, Treasury has no control over the Year 2000 remediation efforts of external third parties. While Treasury has solicited Year 2000 readiness information from its principal service providers, it is possible that the non-readiness of external third parties could adversely affect the cash management and investment activities of Treasury.

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