
Secretary of State

State of Oregon

OREGON SHORT-TERM FUND

For the Years ended June 30, 2001, and 2000



Audits Division

Secretary of State

State of Oregon

OREGON SHORT-TERM FUND

For the Years ended June 30, 2001, and 2000



Audits Division

OFFICE OF THE
SECRETARY OF STATE

Bill Bradbury
Secretary of State



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Auditing for a Better Oregon

The Honorable John Kitzhaber, M.D.
Governor of Oregon
254 State Capitol
Salem, Oregon 97310-4047

The Honorable Randall Edwards, 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, 2001, and the OSTF's compliance with applicable laws and regulations and its internal control over financial reporting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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

Bill Bradbury
Secretary of State

Fieldwork Completion Date:
August 22, 2001

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SUMMARY

BACKGROUND

The Oregon Short-Term Fund (OSTF), maintained by the State Treasurer, is a cash and investment pool that is available for use by all state funds and local governments. 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 more than 1,500 participants in the pool. The LGIP, with equity in net assets as of June 30, 2001, of approximately \$3.7 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, 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 years ended June 30, 2001, and 2000, 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 years ended June 30, 2001, and 2000, 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 Oregon 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 approximately \$7.5 billion as of June 30, 2001.

AUDIT RESULTS



Auditing for a Better Oregon

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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, 2001, and have issued our report thereon dated August 22, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 operation 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

Bill Bradbury
Secretary of State

Fieldwork Completion Date:
August 22, 2001

COMMENDATION

The courtesies and cooperation extended by officials and employees of the Oregon State Treasury during the course of this review were commendable and sincerely appreciated.

AUDIT TEAM

Nancy L. Young, CPA, CISA, Audit Administrator
Sandra K. Gillispie, CPA
Ronald H. Forehand, CPA
Karen M. Fuller

FINANCIAL SECTION



Auditing for a Better Oregon

The Honorable John Kitzhaber, M.D.
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INDEPENDENT AUDITOR'S REPORT

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 years ended June 30, 2001 and 2000. These financial statements are the responsibility of OSTF management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits provide 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, 2001 and 2000, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2001, 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 an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report is separately presented in the Audit Results section of this report.

OREGON AUDITS DIVISION

Bill Bradbury
Secretary of State

Fieldwork Completion Date:
August 22, 2001

OREGON SHORT-TERM FUND

Statement of Net Assets

(Dollars in thousands)

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Assets:		
Cash equivalents	\$ 4,579,186	\$ 2,923,232
Investments	3,332,068	3,295,980
Accrued interest receivable	<u>51,858</u>	<u>9,973</u>
 Total assets	 <u>7,963,112</u>	 <u>6,229,185</u>
Liabilities:		
Payable to broker	202,540	199,997
Payable to Employment (note 7)	1,329	42
Payable to Fiscal Agent (note 8)	11	-
Obligations under securities lending (note 4)	<u>296,393</u>	<u>496,930</u>
 Total liabilities	 <u>500,273</u>	 <u>696,969</u>
 Net assets held in trust for participants (note 2)	 \$ <u>7,462,839</u>	 \$ <u>5,532,216</u>

See accompanying notes to financial statements.

OREGON SHORT-TERM FUND

Statement of Changes in Net Assets

(Dollars in thousands)

	Year ended <u>June 30, 2001</u>	Year ended <u>June 30, 2000</u>
Additions:		
Participants' contributions	\$ 35,586,210	\$ 32,273,752
Investment income, net of expenses (notes 2, 6)	<u>431,045</u>	<u>372,674</u>
Total additions	<u>36,017,255</u>	<u>32,646,426</u>
Deductions:		
Participants' withdrawals	33,668,245	32,902,445
Distributions of interest to participants	397,370	341,504
Securities lending agent fees expense	153	293
Securities lending borrowers' rebate expense	<u>20,864</u>	<u>31,672</u>
Total deductions	<u>34,086,632</u>	<u>33,275,914</u>
Net increase (decrease) in net assets	1,930,623	(629,488)
Net assets held in trust at beginning of year	<u>5,532,216</u>	<u>6,161,704</u>
Net assets held in trust at end of year (note 2)	\$ <u>7,462,839</u>	\$ <u>5,532,216</u>

See accompanying notes to financial statements.

OREGON SHORT-TERM FUND

Notes to Financial Statements

June 30, 2001 and 2000

(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 (ORS) 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 establishes 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 as of June 30, 2001.

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

Oregon Short-Term Fund

Notes to Financial Statements (continued)

June 30, 2001 and 2000

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. Cash equivalents include cash in banks.

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.

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. 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.)

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, 2001</u>		<u>June 30, 2000</u>
Net assets held in trust for participants:			
Equity of internal participants	\$ 3,724,148	\$	2,885,972
Equity of external participants	<u>3,738,691</u>		<u>2,646,244</u>
	\$ <u>7,462,839</u>	\$	<u>5,532,216</u>
Net assets consist of:			
Participants' account balances	\$ 7,456,264	\$	5,538,044
Undistributed and unrealized gains (losses)	<u>6,575</u>		<u>(5,828)</u>
	\$ <u>7,462,839</u>	\$	<u>5,532,216</u>
Participants' fair value (net assets divided by participants' account balances)	\$ <u><u>1.001</u></u>	\$	<u><u>.999</u></u>

Oregon Short-Term Fund

Notes to Financial Statements (continued)

June 30, 2001 and 2000

(3) Deposits and Investments

A. Deposits. Three categories of credit risk apply to deposits of state agencies and local governments:

1. Insured or collateralized with securities held by the State or by its agent in the State's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.
3. Uncollateralized.

As of June 30, 2001, the bank balance of deposits was \$51.5 million; \$27.6 million in category 1 and \$23.9 million in category 3.

B. Investments. 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 as of June 30, 2001).
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.

Oregon Short-Term Fund

Notes to Financial Statements (continued)

June 30, 2001 and 2000

Schedule of Custodial Category Risk June 30, 2001 (Dollars in thousands)

	Yield	Maturity dates	Par value	Category		Reported amount*
				1	3	
Investments and cash equivalents— categorized:						
Not on loan:						
U.S. Government agency	3.59 – 7.17%	7/2/01 – 9/24/02	\$ 4,787,928	4,779,881		\$ 4,779,881
Commercial paper	3.64 – 4.68%	7/2/01 – 8/28/01	2,474,044	2,467,551		2,467,551
Time certificates of deposit	3.88 – 4.08%	7/18/01 – 8/15/01	72,150	19,987	52,163	72,150
			<u>7,334,122</u>	<u>7,267,419</u>	<u>52,163</u>	<u>7,319,582</u>
Investments and cash equivalents— not categorized:						
Held by broker-dealers under securities loans:						
U.S. Government agency	3.89 – 7.17	7/3/01 – 2/1/02	283,000			283,154
Securities lending collateral short-term investment fund	4.08 – 6.45%	7/2/01 – 4/15/09	296,393			297,870
			<u>579,393</u>			<u>581,024</u>
			\$ <u>7,913,515</u>			\$ <u>7,900,606</u>

* 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, 2001 and 2000

(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 for each loan equal to or 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, 2001, 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.

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. As of June 30, 2001, the Fund's balance in the fund totaled \$297,870,000 at fair value. Investments in asset-backed securities accounted for 24.0 percent of the total fair value of the fund maintained by the securities lending agent as of June 30, 2001. As of June 30, 2000, the Fund's balance in the fund totaled \$496,137,000 at fair value. Investments in asset-backed securities accounted for 8.9 percent of the total fair value of the fund maintained by the securities lending agent as of June 30, 2000. (Investments in this category were limited to 25 percent of the portfolio as of June 30, 2001, and 10 percent of the portfolio as of June 30, 2000.) 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 \$1,980,303,000 as of June 30, 2001. (No floating rate notes were held as of June 30, 2000.) The coupon rates on these notes are typically reset once per week with reference to a

Oregon Short-Term Fund

Notes to Financial Statements (continued)

June 30, 2001 and 2000

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. As of June 30, 2001, 40.7 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. As of June 30, 2000, 18.4 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. As of June 30, 2000, 22.3 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 or three-month LIBOR. There were no U.S. Government agency floating rate securities in the securities lending agent's fund as of June 30, 2001.

(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, 2001 and 2000, the State Treasury charged the Fund a monthly rate of 0.25 basis points based on average daily balances in the Fund. The fee is deducted from investment income before distributions to participants. Fees charged to the Fund totaled \$2,003,831 and \$1,836,918 for the years ended June 30, 2001 and 2000, respectively.

(7) Payable to Employment

The State Treasury maintains accounts separate from the Fund which contain employment benefit and trust funds in the name of the Oregon Department of Employment, which also is a participant in the Fund. The State Treasury processes transfers of employment taxes between state agencies and the Oregon Department of Employment. Occasionally, a transfer will be recorded between participants' accounts on one day, but the transfer of cash between the Fund and the employment benefit and trust funds does not take place until the following day, creating a payable to Employment.

(8) Payable to Fiscal Agent

The State Treasury collects debt service payments from general obligation debt-issuing agencies and forwards them on to the fiscal agent, which makes bond interest and principal payments to bondholders. The State Treasury maintains accounts separate from the Fund in which the payments to the state's fiscal agent are recorded. Occasionally, a debt service payment will be received at Treasury before the funds are actually forwarded to the fiscal agent, creating a payable to the fiscal agent.

SUPPLEMENTARY INFORMATION

OREGON SHORT-TERM FUND

Schedule of Investments and Cash Equivalents

June 30, 2001

(Dollars in Thousands)

	Par Value	Reported Amount	Percentage
Investments and cash equivalents not on loan – categorized:			
U.S. Government agency securities:			
Agency Bonds:			
Federal Farm Credit Bank	220,750	222,867	
Federal Home Loan Mortgage Corp FRNs	195,000	194,962	
Student Loan Marketing Assoc	49,000	48,907	
Student Loan Marketing Assoc FRNs	1,785,000	1,785,341	
Tennessee Valley Authority	50,000	50,693	
Total agency bonds	\$ <u>2,299,750</u>	<u>2,302,770</u>	29.1%
Agency discount notes:			
Federal Farm Credit Bank	96,550	95,428	
Federal Home Loan Mortgage Corporation	1,261,552	1,257,180	
Federal National Mortgage Assoc	1,130,076	1,124,503	
Total agency discount notes	\$ <u>2,488,178</u>	<u>2,477,111</u>	31.4%
Total U.S. Government agency securities	\$ <u>4,787,928</u>	<u>4,779,881</u>	60.5%
Commercial paper:			
Gas transmission:			
Equitable Resources Inc.	147,250	146,883	1.9%
Financial:			
American Honda Finance	320,000	319,341	
Ciesco L.P.	273,055	272,103	
Citigroup Inc	50,000	49,994	
Cortez Capital Corp	146,061	145,516	
Gateway Fuel Co	51,823	51,668	
General Electric Capital Corp	80,000	79,959	
National Rural Utilities CFC	266,549	266,034	
New Jersey Natural Gas Co	15,000	14,992	
Toyota Motor Credit Corp	80,010	79,831	
Total financial	\$ <u>1,282,498</u>	\$ <u>1,279,438</u>	16.2%

OREGON SHORT-TERM FUND
Schedule of Investments and Cash Equivalents (continued)

June 30, 2001

(Dollars in Thousands)

	<u>Par Value</u>	<u>Reported Amount</u>	<u>Percentage</u>
Commercial paper continued:			
Industrial:			
Arnold Fuel, Inc.	45,000	44,858	0.6%
Utility-electric:			
Alabama Power CO	100,750	100,519	
Boston Edison	88,175	87,889	
Duke Energy Corp	145,800	145,584	
Madison Gas & Electric	15,000	14,979	
South Carolina Fuel	48,021	47,876	
Southern Company	99,350	98,841	
Southern Company Funding Corp	123,753	123,166	
Wisc Energy Corp	14,400	14,335	
Wisconsin Electric Fuel	22,731	22,706	
Wisconsin Electric Power CO	16,500	16,438	
Total utility-electric	\$ <u>674,480</u>	<u>672,333</u>	8.5%
Utility-gas:			
New Jersey Natural Gas CO	10,400	10,351	
Oneok Inc	136,100	135,810	
Total utility-gas	\$ <u>146,500</u>	<u>146,161</u>	1.8%
Telephone			
SBC Communications Inc	143,316	142,977	1.8%
Engineer SVC			
Texaco Inc	35,000	34,901	0.4%
Total commercial paper	\$ <u>2,474,044</u>	<u>2,467,551</u>	31.2%

Oregon Short-Term Fund
Schedule of Investments and Cash Equivalents (continued)

June 30, 2001

(Dollars in Thousands)

	<u>Par Value</u>	<u>Reported Amount</u>	<u>Percentage</u>
Time certificates of deposit:			
American Pacific Bank	2,950	2,950	
Bank of the Cascades	16,500	16,500	
Bank of the Northwest	9,900	9,900	
Centennial Bank	13,800	13,800	
Pacific Continental Bank	6,000	6,000	
Umpqua Bank	3,000	3,000	
West Coast Bancorp	20,000	20,000	
Total time certificates of deposit	\$ 72,150	72,150	0.9%
Total investments and cash equivalents— categorized	\$ 7,334,122	7,319,582	92.6%
Investments and cash equivalents – not categorized:			
Held by broker-dealers under securities loans:			
U.S. Government agency securities	283,000	283,154	
Securities lending collateral short-term investment fund	296,393	297,870	
Total investments and cash equivalents— not categorized	579,393	581,024	7.4%
Total investments and cash equivalents	\$ 7,913,515	7,900,606	100.0%

FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

Directory of Key Officials

Acting Director Cathy Pollino, CGFM, MBA

Acting Deputy Director Charles A. Hibner, CPA

This report, which is a public record, is intended to promote the best possible management of public resources.

If you received a copy of an audit report and no longer need it, you may return it to the Audits Division. We maintain an inventory of past audit reports. Your cooperation helps us save on printing costs.

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Auditing to Protect the Public Interest and Improve Oregon Government

