
Secretary of State

State of Oregon

OREGON SHORT-TERM FUND

For the Years Ended June 30, 2002, and 2001



Audits Division

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State of Oregon

OREGON SHORT-TERM FUND

For the Years Ended June 30, 2002, and 2001



Audits Division



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 report presents the results of our annual audit of the Oregon Short-Term Fund, an investment pool of the state of Oregon.

As required by auditing standards, we performed the audit to obtain reasonable assurance about whether the financial statements and accompanying notes have been presented fairly by management. Our Independent Auditor's Report and the financial statements for the year ended June 30, 2002 and 2001 are included in the Financial Section of this report. We concluded that the financial statements are fairly presented in accordance with generally accepted accounting principles.

Auditing standards also require us to review Oregon State Treasury's internal control and compliance with applicable laws and regulations, as it relates to the Oregon Short-Term Fund. Our report on the results of those reviews is included in the Audit Results section of this report. We did not note any instances of noncompliance that are required to be reported under *Government Auditing Standards*. Similarly, we did not note any material weaknesses in internal control over financial reporting.

We appreciated the cooperation and assistance of the Oregon State Treasury's management and staff during the course of our audit.

OREGON AUDITS DIVISION

[Signature on File]

Cathy Pollino
Director

August 20, 2002

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SUMMARY

BACKGROUND

The Oregon Short-Term Fund, maintained by the State Treasurer, is a cash and investment pool available for use by all state funds and local governments. The Oregon Short-Term Fund 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.

AUDIT PURPOSE

The audit was conducted for the purpose of reporting on the financial statements of the Oregon Short-Term Fund for the years ended June 30, 2002 and 2001, and on Oregon State Treasury's internal control over financial reporting and its compliance with applicable laws and regulations as it relates to the Oregon Short-Term Fund.

AUDIT RESULTS

This audit concludes that the financial statements of the Oregon Short-Term Fund for the years ended June 30, 2002 and 2001, which are included in this report, are fairly presented. In addition, 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 available for use by all state funds and local governments. The largest component of the Oregon Short-Term Fund is the Local Government Investment Pool (LGIP). The 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, 2002, of approximately \$3.5 billion, comprises almost one-half of the Oregon Short-Term Fund.

The Oregon Short-Term Fund Board (Board) serves as the advisory board to the OSTF under Oregon Revised Statutes 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 Oregon State Treasurer or his designee, three nonpublic members appointed by the Oregon 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 is valued and reported at fair market 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 Oregon State Treasury. For state funds, the pool operates as a demand deposit account, which is classified as cash and cash equivalents in the state of Oregon's Comprehensive Annual Financial Report (CAFR). Local government pooled assets are reported as an Investment Trust Fund in the CAFR.

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 \$7.8 billion as of June 30, 2002.

AUDIT RESULTS



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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, an investment pool of the state of Oregon, as of and for the year ended June 30, 2002 and 2001, and have issued our report thereon dated August 20, 2002. 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 financial statements of the Oregon Short-Term Fund 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. Providing an opinion on compliance with those provisions, however, 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 Oregon State Treasury's internal control over financial reporting as it relates to the Oregon Short-Term Fund 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 the internal control over financial reporting would not necessarily disclose all matters in the internal control 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, Department of Administrative Services Statewide Audit Committee, 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

A handwritten signature in black ink, appearing to read "Bill Bradbury". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Bill Bradbury
Secretary of State

August 20, 2002

COMMENDATION

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

AUDIT TEAM

Nancy L Young, CPA, CISA, Audit Administrator
Debbie A. Ferguson
Julianne Kennedy, CPA

FINANCIAL SECTION



Auditing for a Better Oregon

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Oregon Short-Term Fund, an investment pool of the state of Oregon, as of and for the years ended June 30, 2002 and 2001, as listed in the Table of Contents. These financial statements are the responsibility of the Oregon Short-Term Fund management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. 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.

As discussed in Note 1, the financial statements present only the Oregon Short-Term Fund, an investment pool of the state of Oregon, and are not intended to present fairly the financial position of the state of Oregon and the results of its operations and cash flows of its nonexpendable trust funds in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oregon Short-Term Fund as of June 30, 2002 and 2001, 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.

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 Oregon Short-Term Fund. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 20, 2002, on our consideration of Oregon State Treasury'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.

OREGON AUDITS DIVISION

A handwritten signature in black ink, appearing to read "Bill Bradbury". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Bill Bradbury
Secretary of State

August 20, 2002

OREGON SHORT-TERM FUND

Statement of Net Assets

(Dollars in thousands)

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Assets:		
Cash and Cash Equivalents	\$ 4,799,200	\$ 4,579,186
Investments	3,507,876	3,332,068
Due from Employment	179	
Accrued Interest Receivable	<u>15,687</u>	<u>51,858</u>
 Total Assets	 <u>8,322,942</u>	 <u>7,963,112</u>
Liabilities:		
Payable to Broker	27,000	202,540
Payable to Employment (note 7)		1,329
Payable to Fiscal Agent (note 8)		11
Obligations Under Securities Lending (note 4)	<u>539,819</u>	<u>296,393</u>
 Total Liabilities	 <u>566,819</u>	 <u>500,273</u>
 Net Assets Held in Trust for Participants (note 2)	 \$ <u>7,756,123</u>	 \$ <u>7,462,839</u>

The accompanying notes are an integral part of the financial statements.

OREGON SHORT TERM-FUND

Statement of Changes in Net Assets

(Dollars in thousands)

	Year ended <u>June 30, 2002</u>	Year ended <u>June 30, 2001</u>
Additions:		
Participants' Contributions	\$ 33,266,470	\$ 35,586,210
Investment Income, Net of Expenses (notes 2, 6)	<u>206,220</u>	<u>431,045</u>
Total Additions	<u>33,472,690</u>	<u>36,017,255</u>
Deductions:		
Participants' Withdrawals	32,974,365	33,668,245
Distributions of Interest to Participants	196,314	397,370
Securities Lending Agent Fees Expense	339	153
Securities Lending Borrowers' Rebate Expense	<u>8,388</u>	<u>20,864</u>
Total Deductions	<u>33,179,406</u>	<u>34,086,632</u>
Net Increase (decrease) in Net Assets	293,284	1,930,623
Net Assets Held in Trust at Beginning of Year	<u>7,462,839</u>	<u>5,532,216</u>
Net assets Held in Trust at End of Year (note 2)	\$ <u>7,756,123</u>	\$ <u>7,462,839</u>

The accompanying notes are an integral part of the financial statements.

OREGON SHORT-TERM FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2002 and 2001

(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 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, 2002.

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. Cash equivalents include cash in banks.

Notes to Financial Statements (continued)
June 30, 2002 and 2001

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, 2002</u>		<u>June 30, 2001</u>
Net assets held in trust for participants:			
Equity of internal participants	\$ 4,286,491	\$	3,724,148
Equity of external participants	<u>3,469,632</u>		<u>3,738,691</u>
	<u>\$ 7,756,123</u>	\$	<u>7,462,839</u>
Net assets consist of:			
Participants' account balances	\$ 7,748,369	\$	7,456,264
Undistributed and unrealized gains (losses)	<u>7,754</u>		<u>6,575</u>
	<u>\$ 7,756,123</u>	\$	<u>7,462,839</u>
Participants' fair value (net assets divided by participants' account balances)	\$ <u>1.001</u>	\$	<u>1.001</u>

(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, 2002, the bank balance of deposits was \$69.8 million; \$28.1 million in category 1 and \$41.7 million in category 3.

Notes to Financial Statements (continued)
June 30, 2002 and 2001

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, 2002).
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, 2002
(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 Securities	1.72 – 6.75	7/1/02 – 3/21/05	\$ 3,780,744	3,784,336		\$ 3,784,336
Commercial paper	1.77 – 1.87	7/1/02 – 9/26/02	3,328,325	3,322,903		3,322,903
Time certificates of deposit	1.79 – 1.87	7/17/02 – 9/11/02	96,300	28,850	67,450	96,300
			7,205,369	7,136,089	67,450	7,203,539
Investments and cash equivalents— not categorized:						
Held by broker-dealers under securities loans:						
U.S. Government & Agency Securities	1.75 – 3.90	7/24/02 – 12/31/03	519,992			525,114
Securities lending collateral short-term investment fund	1.69 - 6.48	7/1/02 – 12/15/09	539,819			540,098
			1,059,811			1,065,212
			\$ 8,265,180			\$ 8,268,751

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

(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.

Notes to Financial Statements (continued)
June 30, 2002 and 2001

Borrowers were required to deliver cash collateral 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, 2002, 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, 2002, the Fund's balance in the fund totaled \$540,098,000 at fair value. Investments in asset-backed securities accounted for 18.9 percent of the total fair value of the fund maintained by the securities lending agent as of June 30, 2002. 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. 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 no floating rate notes as of June 30, 2002. The Fund held floating rate notes issued by U.S. government agencies totaling \$1,980,303,000 as of June 30, 2001. 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. As of June 30, 2002, 32.2 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, 2002, 7.2 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. 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. 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, 2002 and 2001, 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 \$2,266,967 and \$2,003,831 for the years ended June 30, 2002 and 2001, respectively.

(7) Receivable from and Payable to Employment

The State Treasury maintains accounts separate from the Fund that contain employment benefit and trust funds in the name of the Oregon Department of Employment, which is also a participant in the Fund. The State Treasury processes transfers of employment taxes and benefit payments 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 either a receivable from or payable to Employment.

(8) Payable to Fiscal Agent

The State Treasury collects debt service payments from general obligation debt-issuing agencies and forwards them 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, 2002
(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 Agency Securities:			
U.S. Treasury Notes	\$ 1,008	1,027	0.0%
Agency Bonds:			
Federal Home Loan Bank	320,250	324,514	
Federal Home Loan Mortgage Corporation	235,285	237,285	
Federal National Mortgage Association	200,000	204,048	
Student Loan Marketing Association	99,000	99,247	
Tennessee Valley Authority	<u>50,000</u>	<u>49,917</u>	
Total Agency Bonds	\$ <u>904,535</u>	<u>915,011</u>	11.1%
Agency Discount Notes:			
Federal Home Loan Bank	302,077	301,103	
Federal Home Loan Mortgage Corporation	902,498	900,949	
Federal National Mortgage Assoc.	1,460,810	1,457,512	
FRM	124,816	124,592	
Student Loan Marketing Association	<u>85,000</u>	<u>84,142</u>	
Total agency discount notes	\$ <u>2,875,201</u>	<u>2,868,298</u>	34.6%
Total U.S. Government Agency Securities	\$ <u>3,780,744</u>	<u>3,784,336</u>	45.7%
Commercial paper:			
Broker Dealer:			
Bear Stearns Co.	35,000	34,887	
Credit Suisse FB USA	<u>168,500</u>	<u>168,237</u>	
Total Broker Dealer	\$ <u>203,500</u>	<u>203,124</u>	2.5%
Engineering Services:			
Chevron Texaco	92,000	91,777	
Explorer Pipe	<u>40,000</u>	<u>39,898</u>	
Total Engineering Services	\$ <u>132,000</u>	<u>131,675</u>	1.6%

OREGON SHORT-TERM FUND
Schedule of Investments and Cash Equivalents, continued
June 30, 2002
(Dollars in thousands)

	<u>Par Value</u>	<u>Reported Amount</u>	<u>Percentage</u>
Commercial Paper continued:			
Financial:			
American Honda Finance	121,750	121,533	
Ciesco L.P.	120,000	119,915	
CitiCorp	95,000	94,747	
Corp Asset Funding	141,949	141,792	
Cortez Capital Corp.	103,500	103,377	
CXC LLC	215,000	214,518	
Edison Asset SEC	255,130	254,671	
Fleet Funding	231,917	231,402	
Gateway Fuel Co.	56,188	56,153	
General Electric Capital Corp.	35,000	34,925	
GOVCO, Inc.	208,300	207,882	
INTL Lease Finance	202,370	202,081	
Prudential Funding Corp.	30,000	29,999	
River Fuel No. 1	35,165	35,129	
River Fuel No. 2	21,675	21,664	
River Fuel No. 3	17,353	17,344	
SIGMA Finance Inc.	249,880	249,409	
Toyota Motor Credit Corp.	46,866	46,829	
UBS Finance	<u>115,000</u>	<u>114,858</u>	
Total Financial	\$ <u>2,302,043</u>	<u>2,298,228</u>	27.8%
Gas Transmission:			
Equitable Resources, Inc.	\$ 23,000	22,977	0.3%
Telephone:			
SBC Communications, Inc.	85,000	84,824	
SBC International, Inc.	<u>128,315</u>	<u>128,093</u>	
Total Telephone	\$ <u>213,315</u>	<u>212,917</u>	2.6%

OREGON SHORT-TERM FUND
Schedule of Investments and Cash Equivalents, continued
June 30, 2002
(Dollars in thousands)

	<u>Par Value</u>	<u>Reported Amount</u>	<u>Percentage</u>
Commercial Paper continued:			
Utility-electric:			
Boston Edison	18,500	18,493	
Duke Energy Corp.	50,000	49,885	
South Carolina E & G	15,000	14,976	
Southern Company	190,300	190,118	
Southern Company Funding Corp.	76,500	76,418	
Virginia Electric & Power	75,000	74,944	
Wisconsin Electric Fuel	<u>24,167</u>	<u>24,154</u>	
Total Utility-Electric	\$ <u>449,467</u>	<u>448,988</u>	5.4%
Utility-gas:			
Laclede Gas Company	\$ 5,000	4,994	0.0%
Total Commercial Paper	\$ <u>3,328,325</u>	<u>3,322,903</u>	40.2%
Time Certificates of Deposit:			
Albina Community Bank	1,000	1,000	
American Pacific Bank	2,850	2,850	
Bank of the Cascades	16,200	16,200	
Bank of the Northwest	12,150	12,150	
Centennial Bank	30,000	30,000	
Columbia Community Bank	100	100	
Liberty Bank	5,000	5,000	
Pacific Continental Bank	9,000	9,000	
Umpqua Bank	5,000	5,000	
West Coast Bancorp	15,000	15,000	
Total Time Certificates of Deposit	\$ <u>96,300</u>	<u>96,300</u>	1.2%
Total Investments and Cash Equivalents - Categorized	\$ <u>7,205,369</u>	<u>7,203,539</u>	87.1%
Investments and Cash Equivalents – Not Categorized:			
Held by broker-dealers under securities loans:			
U.S. Government & Agency securities	519,992	525,114	
Securities Lending Collateral Short-Term Investment Fund	<u>539,819</u>	<u>540,098</u>	
Total Investments and Cash Equivalents - Not Categorized	\$ <u>1,059,811</u>	<u>1,065,212</u>	12.9%
Total Investments and Cash Equivalents	\$ <u>8,265,180</u>	<u>8,268,751</u>	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

<i>Director</i>	Cathy Pollino, CGFM, MBA
<i>Deputy Director</i>	Charles A. Hibner, CPA
<i>Deputy Director</i>	Mary E. Wenger, CPA

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

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