



**State of Oregon**

**OREGON SHORT TERM FUND**

An Investment Pool of the State of Oregon

Financial Statements

For the Year Ended June 30, 2023

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**OREGON SHORT TERM FUND**  
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FINANCIAL SECTION

## Independent Auditor's Report

The Honorable Tina Kotek  
Governor of Oregon

The Honorable Tobias Read, State Treasurer  
Oregon Short Term Fund Board

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Oregon Short Term Fund, an external investment pool of the State of Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Oregon Short Term Fund, as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Oregon State Treasury and the Oregon Short Term Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

As discussed in Note 1, the financial statements present only the Oregon Short Term Fund and do not purport to, and do not, present fairly the financial position of the State of Oregon or the Oregon State Treasury, as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and the disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oregon State Treasury's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issue our report dated August 29, 2023, on our consideration of the Oregon State Treasury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Oregon State Treasury's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oregon State Treasury's internal control over financial reporting and compliance.

*Office of the Secretary of State, Audits Division*

State of Oregon  
August 29, 2023

**State of Oregon**  
**OREGON SHORT TERM FUND**

Statement of Net Position

June 30, 2023

(Dollars in Thousands)

**Assets:**

Cash and Cash Equivalents	\$	2,352,901
Investments		31,128,353
Accrued Interest Receivable		195,275
Due from Oregon Military Department (Note 5)		5,000
Securities Lending Collateral (Note 3)		12,157
<b>Total Assets</b>		33,693,686

**Liabilities:**

Due to Broker on Purchase		78,281
Due to Employment Department (Note 6)		81
Due to Fiscal Agent (Note 7)		1
Obligations Under Securities Lending (Note 3)		12,158
<b>Total Liabilities</b>		90,521

**Net Position:**

Held in Trust for Participants		33,603,165
<b>Total Net Position</b>	\$	33,603,165

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



**State of Oregon**  
**OREGON SHORT TERM FUND**  
Statement of Changes in Net Position  
For the Year Ended June 30, 2023  
(Dollars in Thousands)

<b>Additions</b>	
<b>Investment Earnings:</b>	
Net Increase in Fair Value of Investments	\$ 121,586
Interest, Dividends, and Other	1,086,407
Securities Lending Income	<u>3,493</u>
<b>Total Investment Earnings</b>	<b>1,211,486</b>
<b>Less Investment Costs:</b>	
Investment Activity Costs (Note 4)	21,094
Securities Lending Costs	<u>2,672</u>
<b>Net Investment Earnings</b>	<b><u>1,187,720</u></b>
<b>Participant Account Transactions:</b>	
Participants' Contributions & Reinvested Income	111,558,427
Participants' Withdrawals	<u>(110,141,397)</u>
<b>Net Increase as a Result of Participant Transactions</b>	<b><u>1,417,030</u></b>
<b>Total Additions</b>	<b><u>2,604,750</u></b>
<b>Deductions:</b>	
Distributions of Interest to Participants	<u>981,570</u>
<b>Total Deductions</b>	<b><u>981,570</u></b>
Change in Assets Held in Trust for Participants	1,623,180
Net Position - Beginning	31,979,985
<b>Net Position - Ending (Note 8)</b>	<b><u><u>\$ 33,603,165</u></u></b>

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

## OREGON SHORT TERM FUND

### Notes to Financial Statements

June 30, 2023

#### (1) Summary of Significant Accounting Policies

**Reporting Entity** The Oregon Short Term Fund (the Fund) is a short-term cash investment vehicle. Several 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 Oregon Revised Statutes and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for all funds entrusted to the Oregon State Treasury (OST). 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 recommended by the Oregon Short Term Fund Board, with Council approval, establishing diversification percentages and specifying the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. Portfolio guidelines are discussed in greater detail in the Investments section of Note 2.

According to ORS 293.265 and 295.002, state agencies must deposit all funds with depositories qualified by the OST. Undesignated funds not required to meet current demands 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 in the State's Annual Comprehensive Financial Report. The portion of the Fund belonging to local government (external) participants is reported in a custodial fund in the State's Annual Comprehensive Financial Report.

**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. 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 and 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 and Cash Equivalents also include cash in banks, including cash held with the custodial bank.

**Investments** Investments with remaining maturities of fewer than ninety days are carried at amortized cost, provided that the fair value of these instruments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Amortized cost 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. The Fund has not provided or received any legally binding guarantees regarding balances in the Fund. 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 OST. When a participant's account is overdrawn, negative interest accrues daily at the determined rate plus a premium. OST accumulates an amount to offset potential losses based on historical default rates, as part of Total Net Position (See Note 8). This balance is reviewed at the end of every month and is considered in setting the rate paid to participants, 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 and posted on the last business day.

## OREGON SHORT TERM FUND

### Notes to Financial Statements

June 30, 2023

#### (2) Deposits and Investments

**Deposits** On June 30, 2023 the Fund held a \$75.5 million book balance in deposits with a bank balance of \$76.1 million. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Where interest-bearing balances exceed the Federal Deposit Insurance amount of \$250,000, the balances are covered by collateral held in a multiple financial institution collateral pool (ORS 295.015) administered by the OST in the Public Funds Collateralization Program (PFCP). As of June 30, 2023, \$2.2 million of demand deposits were covered by FDIC insurance and \$74.1 million of demand deposits were collateralized under the PFCP.

**Investments** On June 30, 2023, the Fund had a net position of \$33.6 billion, \$2.4 billion of which is classified as Cash and Cash Equivalents on the Statement of Net Position. The Fund's portfolio rules establish the Fund's permitted investments and provide guidelines for managing the various types of risk associated with these investments (see the current portfolio rules at <https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx>). The different risks are discussed below.

##### A. Interest rate and credit risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund staff manages this risk by limiting the period of the reset date (reset) or maturity of the investments held by the Fund. The portfolio rules require that at least 50 percent of the portfolio mature or reset within 93 days; not more than 25 percent of the portfolio may mature or reset in over a year; and no investments may mature or reset over three years from settlement date. The June 30, 2023 holdings are shown in the schedule below. For variable rate securities, the next interest rate reset date is used instead of the maturity date. For variable rate securities, in a fixed rate period that will switch to variable rate at a later date, the maturity is based on the final maturity of the security, not the next variable reset date. For fixed rate securities with a put option, the date upon which the put option is fully exercisable for at least 100% of the face value is used instead of the maturity date, and for variable rate securities with a put option, the earlier of the next variable reset date or the put date is used instead of the maturity date. For asset-backed securities, the weighted average life will be used as a proxy for the maturity date.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund's policies provide for a composite minimum weighted average credit quality rating for the Fund's holdings to be the equivalent of a AA Standard and Poor's (S&P) rating. This composite is calculated based on the median rating if three agencies rate the security, the lower rating if two ratings are available, or the single rating if only one rating is available. On June 30, 2023, the fund's composite weighted average rating was equivalent to S&P's AA based on the method described above. U.S. Treasuries and all unrated federal agency securities were also assumed to be rated AAA for the composite rating, as these securities are backed by the U.S. government.

The minimum ratings for corporate notes at the time of purchase are an S&P rating of A-, a Moody's rating of A3 or a Fitch rating of A-. Commercial paper is required to have a minimum short-term credit rating at the time of purchase from two of three ratings services; minimum ratings are S&P of A-1, Moody's of P-1 and Fitch of F-1. Foreign government securities are required to have a minimum credit rating from S&P of AA-, Moody's of Aa3 or Fitch of AA-. Asset-backed securities are required to have long-term ratings of AAA, Aaa or AAA, or short-term ratings of A-1+, P-1 or F-1+ by S&P, Moody's, and Fitch, respectively.

Fund policies allow securities downgraded below the minimum required ratings after the time of purchase to be retained at the Senior Investment Officer's discretion. Rating groups were determined using the lowest actual rating from S&P, Moody's, or Fitch, and are shown below:

**OREGON SHORT TERM FUND**  
**Notes to Financial Statements**  
June 30, 2023

**Interest Rate and Credit Risk**  
**(Dollars in Thousands)**

Classification	Rating	One to Three			Total	Par Value
		93 Days or Less	94-366 Days	Years		
U.S. Treasuries	Not Rated	\$9,322,994	\$694,834	\$544,496	\$10,562,324	\$10,593,726
Agency Securities	AA	489,463	627,217	300,583	1,417,263	1,445,660
Agency Discount Notes	AAA	190,806	73,743	-	264,549	267,000
	AA	105,591	14,685	-	120,276	121,505
		296,397	88,428	-	384,825	388,505
Municipal Commercial Paper	A-1+	234,942	-	-	234,942	235,208
	A-1	38,347	19,456	-	57,803	58,350
		273,289	19,456	-	292,745	293,558
Municipal Obligations	AAA	82,382	14,107	39,173	135,662	136,595
	AA	407,344	45,116	962	453,422	454,530
	A	94,180	-	-	94,180	94,180
		583,906	59,223	40,135	683,264	685,305
Commingled Investment Pool	Not Rated <sub>2</sub>	-	-	213,655	213,655	227,485
Non U.S. Government Commercial Paper	A-1+	190,531	53,980	-	244,511	246,800
Non U.S. Government Obligations	AAA	1,106,939	377,375	335,225	1,819,539	1,842,294
	AA	244,204	78,388	73,149	395,741	401,250
	A	-	59,516	-	59,516	60,000
		1,351,143	515,279	408,374	2,274,796	2,303,544
Corporate Commercial Paper	A-1+	648,812	51,560	-	700,372	702,866
	A-1	844,768	52,690	-	897,458	900,967
	A-2	213,953	-	-	213,953	214,190
		1,707,533	104,250	-	1,811,783	1,818,023
Corporate Obligations	AAA	10,010	78,367	113,313	201,690	204,944
	AA	1,414,646	254,910	351,675	2,021,231	2,047,536
	A	4,565,332	1,626,295	756,399	6,948,026	7,029,577
	BBB <sub>1</sub>	508,394	298,014	87,829	894,237	908,549
		6,498,382	2,257,586	1,309,216	10,065,184	10,190,606
Asset-Backed Securities	AAA	3,107,364	850,512	1,364,550	5,322,426	5,393,753
Negotiable Certificates of Deposit	A	25,000	99,999	-	124,999	125,000
Time Certificate of Deposit <sub>3</sub>	Not Rated	-	8,000	-	8,000	8,000
Cash		75,479	-	-	75,479	75,479
	<b>Total</b>	<b>\$23,921,481</b>	<b>\$5,378,764</b>	<b>\$4,181,009</b>	<b>\$33,481,254</b>	<b>\$33,795,444</b>

1 Securities rated BBB on this table have been downgraded during the past fiscal year. The positions have been reviewed and retained at the Senior Investment Officer's discretion per the rules above.

2 The Oregon Local Government Intermediate Term Fund is not rated by the credit ratings agencies. The composite credit quality rating of the Oregon Local Government Intermediate Term Fund's holdings was AA at June 30, 2023.

3 TCD's are considered deposits for purposes of credit quality, and are fully covered by FDIC and state PFCP programs.

**B. Custodial credit risk**

Custodial credit risk for investments is the risk that, in the event of a transactional counterparty failure, the government will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The Fund's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian, which holds the Fund's securities in the State of Oregon's name. Time certificates of deposit (TCDs) are not exposed to custodial credit risk, as they are covered by FDIC insurance of \$0.25 million, and \$7.75 million are collateralized under the PFCP.

## **OREGON SHORT TERM FUND**

### **Notes to Financial Statements**

June 30, 2023

#### **C. Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Fund rules provide that the maximum that may be invested in any one issuer, as a percentage of the fund's total investments, is 33 percent for U.S. Agency securities, 10 percent for both municipals and foreign governments and instrumentalities, 5 percent for corporate securities, asset-backed securities and negotiable certificates of deposit and 10 percent for all securities and support commitments with the exception of U.S. Treasury (100 percent) and Government Agency securities (33 percent per issuer). In addition, no more than \$250 million may be invested in the Oregon Local Government Intermediate Term Fund. On June 30, 2023, the Fund did not hold investments with any one issuer that exceeded these limits.

#### **D. Foreign currency risk**

The Fund portfolio rules prohibit investments that are not U.S. dollar-denominated; therefore, the Fund is not exposed to this risk.

### **(3) Securities Lending**

The OST has authorized its custodian to act as its agent in lending 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 the securities lending agreement. The State's securities lending agent lent short-term and fixed income securities and received as collateral U.S. dollar-denominated cash and U.S. Treasury securities. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned security. The State may pledge or sell the collateral securities received only in the event of a borrower default. The State has the ability to impose restrictions on the amount of the loans that the securities lending agent made on its behalf. No such restrictions were made during the year ended June 30, 2023. 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 Fund's lending agent uses a fund to reinvest cash collateral received on behalf of the Fund and other Oregon state agencies managed by the OST, exclusive of the Oregon Public Employees Retirement Fund. At June 30, 2023 the Fund's allocated portion of the market value of repurchase agreements held by the fund was approximately \$1,487,000. As permitted under the fund's Declaration of Trust (Declaration), participant purchases and redemptions are transacted at \$1.00 per unit ("constant value") based on the amortized cost of the fund's investments. The balances of securities on loan, collateral received and invested collateral at market value are presented in the schedule below.

**OREGON SHORT TERM FUND**  
**Notes to Financial Statements**  
June 30, 2023

**Schedule of Securities Lending Balances**  
(Dollars in Thousands)

	Securities on Loan at		Invested Cash Collateral at	
	Fair Value	Collateral Received	Fair Value	
U.S. Agency Securities	\$ 134,433	\$ 137,156	1 \$ -	
U.S. Treasury	20,798	21,217	2 -	
Corporate Notes	11,906	12,158	3 12,157	
<b>Total</b>	<b>\$ 167,137</b>	<b>\$ 170,531</b>	<b>\$ 12,157</b>	

1 U.S. Agency Securities \$137,156

2 U.S. Treasuries \$21,217

3 Cash Collateral \$12,158

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, 2023, the State had no credit risk exposure to borrowers related to securities on loan.

**(4) Management and Administrative Fees**

In accordance with ORS 293.718, the OST may deduct monthly 0.435 basis points of the most recent market value of assets under management for administration and portfolio management. For the year ended June 30, 2023 the OST charged the Fund a monthly rate of 0.435 basis points on the most recent market value of the Fund. The fee is deducted from investment income before distributions to participants. Fees charged to the Fund, including administration and management fees, totaled \$21.1 million for the year ended June 30, 2023.

**(5) Receivables from State Agencies and Other Commitments**

The Oregon Military Department entered into an agreement in December of 2021 to borrow up to \$5 million for the purpose of interim financing until revenues from federal reimbursement funds become available. Interest is charged at a fixed rate equal to two (2.0) percent per annum. The loan will mature on the earlier of September 30, 2023, or on the date OST determines the Fund requires repayment to meet current Fund requirements.

The Oregon Health Authority entered into an agreement in April of 2023 to borrow up to \$330 million for the purpose of interim financing until revenues from other funds become available. Interest is charged at a fixed rate equal to four point three five (4.35) percent per annum. The loan will mature on the earlier of December 31, 2023, or on the date OST determines the Fund requires repayment to meet current Fund requirements. There were no outstanding borrowings under this agreement at June 30, 2023.

**OREGON SHORT TERM FUND**

**Notes to Financial Statements**

June 30, 2023

**(6) Payable to the Oregon Employment Department**

The OST maintains accounts separate from the Fund which contains employment benefit and trust funds in the name of the Oregon Employment Department (Employment), which is also a participant in the Fund. The OST processes transfers of employment taxes and benefit payments between state agencies and 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.

**(7) Payable to Fiscal Agent**

The OST 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 bond holders. OST maintains accounts, separate from the Fund, in which payments to the fiscal agent are recorded. Debt service payments received at OST create a payable to the fiscal agent until the payments are forwarded.

**(8) Equity of Internal and External Participants**

The following table describes the equity of internal and external participants in the Fund's net position, and shows that net position is composed of participants' account balances less undistributed and unrealized gains:

Net position held in trust for participants (in thousands):	
Equity of internal participants	\$ 24,519,193
Equity of external participants	9,083,972
	<u>\$ 33,603,165</u>
Net position consist of (in thousands):	
Participants' Account Balances	\$ 33,727,622
Undistributed and Unrealized Gains (Losses)	(232,373)
Allowance for Potential Defaults	107,916
	<u>\$ 33,603,165</u>
Participants' Fair Value (Net Position divided by Participants' Account Balances)	<u>99.63%</u>

**(9) Fair Value Measurements**

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a framework for measuring fair value and establishes a reporting hierarchy to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The

**OREGON SHORT TERM FUND**  
**Notes to Financial Statements**  
June 30, 2023

classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

	Assets and Liabilities at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Treasuries	\$ -	\$ 10,272,766		\$ 10,272,766
Agency Securities	-	1,413,766	-	1,413,766
Agency Discount Notes	-	384,825	-	384,825
Municipal Obligations	-	683,264	-	683,264
Municipal Commercial Paper		32,347	-	32,347
Non U.S. Government Commercial Paper	-	143,068	-	143,068
Non U.S. Government Obligations	-	2,274,796	-	2,274,796
Corporate Obligations	-	10,057,585	-	10,057,585
Corporate Commercial Paper	-	196,856	-	196,856
Asset-Backed Securities	-	5,322,426	-	5,322,426
Negotiable Certificates of Deposit	-	124,999	-	124,999
Time Certificates of Deposit	-	8,000	-	8,000
Total Investments	<u>\$ -</u>	<u>\$ 30,914,698</u>	<u>\$ -</u>	<u>\$ 30,914,698</u>

The Fund's investments, other than those with remaining maturities of fewer than ninety days and the investment in the Oregon Local Government Intermediate Term Fund, are valued using the latest bid prices or evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. At June 30, 2023, certain corporate and municipal obligations are reported at amortized cost as independent vendor pricing was not available. Investments with remaining maturities of fewer than ninety days are carried at amortized cost, which approximates fair value. The Fund's investment in the Oregon Local Government Intermediate Term Fund (OLGIF) is priced using a net asset value and the value of OLGIF's underlying investments are marked to market daily. The Fund held approximately 93.5% of the outstanding units of OLGIF at June 30, 2023. All of the Fund's investments at June 30, 2023 are considered level 2.



## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Honorable Tina Kotek, Governor of Oregon  
The Honorable Tobias Read, State Treasurer  
Oregon Short Term Fund Board

We have audited, in accordance with the 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, the financial statements of the Oregon Short Term Fund, an external investment pool of the State of Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Oregon Short Term Fund's basic financial statements, and have issued our report thereon dated August 29, 2023.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oregon State Treasury's (department) internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Office of the Secretary of State, Audits Division*

State of Oregon  
August 29, 2023