

CITY OF CORVALLIS

Investment Council

Treasury Report

August 2012

CITY OF CORVALLIS, OREGON
INVESTMENT COUNCIL
Treasury Report - Table of Contents

Davidson Fixed Income Management Report	
Market & Strategy Commentary.....	1
Policy Compliance.....	2
Asset Allocation.....	3
Portfolio Returns.....	4
Portfolio Holdings.....	5
Transaction Summary.....	6
Amortization and Accretion.....	8
Interest Accruals.....	10
Glossary of Terms.....	13
Cash Flow Summary.....	14
Monthly Revenue Allocations.....	15
Graphs	
Total Portfolio Yield.....	16
Core Portfolio Yield.....	17
Cash & Investments.....	18

AUGUST 2012

Yields were very volatile during the month, but when everything was said and done, short term Treasury yields remained virtually unchanged from the previous month. Yields rose on Treasuries with maturities of five years and longer. The financial markets face extraordinary uncertainty with the U.S. elections in November and uncertainty in Europe. U.S. Stocks have rallied due to improving economic data in the housing industry, the index of leading indicators, retail sales, consumer purchasing, and consumer sentiment. Prices for the 10-year Treasury note posted their worst four-week drop since December 2010 according to Bloomberg. The fall in bond prices which occurred in the first three weeks of the month, and the corresponding increase in bond yields – suggest market participants think the improving economic data may forestall the Federal Reserve from stepping in with another round of monetary stimulus. This perception was reversed toward the end of the month as traders looked forward to Fed Chair Bernanke’s speech from Jackson Hole.

Jackson Hole Speech by Bernanke on August 31, 2012

In his mostly academic speech at the Jackson Hole Fed conference, Fed Chairman Ben Bernanke said there is “grave concern” regarding the stubbornly high unemployment rate and the long term level of unemployment. Bernanke left open the possibility of additional bond purchases, however the time was not addressed. Bloomberg News wrote an article that the Fed is moving closer to open-ended bond purchases, which has the support of Presidents Williams, Bullard, Evans and Rosengren. Fed Chair Bernanke reiterated the August 1st FOMC promise to “provide additional policy accommodation as needed.” The FOMC meets September 12/13. This speech moved two-year treasuries from .25% to .22% and five-year treasuries moved from .66% to .59%.

European Debt Crisis

Much speculation has been in the market regarding the possibility of a new monetary program being announced at the European Central Bank (ECB) meeting in September. The speculation centers primarily around the form and magnitude of an additional bond purchase program. A bond purchase program has been hinted at by European Central Bank President Mario Draghi recently.

Non-farm Payrolls/Unemployment Report

August began with the release of the payroll data which surprised participants by being stronger than anticipated. Bonds sold off when the non-farm payrolls number of an increase in July of 163,000 was released. A gain of 100,000 was expected. The unemployment rate rose to 8.3% from the 8.2% reported in June.

Other economic data:

- Retail Sales were up for the first time in four months, plus .8% in July, much better than expected.
- The Conference Board Consumer Confidence Index rose 3.2 points to 65.9 in July, the strongest since April.
- The Leading Economic Index increased by .4% in July after declining by .4% in June. This is the largest monthly increase in the leading index in five months.

***CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER:**

	<u>06/30/12</u>	<u>07/31/12</u>	<u>08/31/12</u>	<u>Change August</u>
3-month bill	0.08	0.10	0.07	-0.03
6-month bill	0.16	0.13	0.13	Unch
2-year note	0.30	0.21	0.22	+0.01
5-year note	0.72	0.58	0.59	+0.01
10-year note	1.65	1.47	1.55	+0.08

**Source: Bloomberg*

Policy Compliance Report
(Market Values)

Overall Portfolio Structure						
	Investment Strategy Range		Market Value	Neutral Allocation	Actual Allocation	Position
	Low	High				
Liquid Component	\$5,000,000.00	\$20,000,000.00	\$20,096,221.05	60.00%	60.5%	0.47%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$13,135,834.00	40.00%	39.5%	-0.47%
Total			\$33,232,055.05			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	64%	Yes
Under 1 Year	> 25%	67%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.82	Yes

Asset Allocation Strategy							
	Policy Maximum Allocation	Per Issuer Restriction	Current Portfolio Allocation	Market Value	Policy Maximum Maturity	Amount Available to Invest	Within Limits
US Treasuries	100%		0.00%	\$0.00	5 Years	\$33,232,055.05	Yes
Federal Agency and Agency Sponsored	100%	40%	39.53%	\$13,135,834.00	5 Years	\$20,096,221.05	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	3.03%	\$1,006,085.04		\$7,301,928.72	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$3,323,205.51	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$3,323,205.51	Yes
State Obligations (OR,WA, AA or better)	10%	5%	0.00%	\$0.00	5 Years	\$3,323,205.51	Yes
State Pool	ORS Maximum or 100%		57.44%	\$19,090,136.01	N/A	\$25,384,027.99	Yes
Total			100.00%	\$33,232,055.05			

ORS Maximum \$44,474,164.00

Policy : August 2012

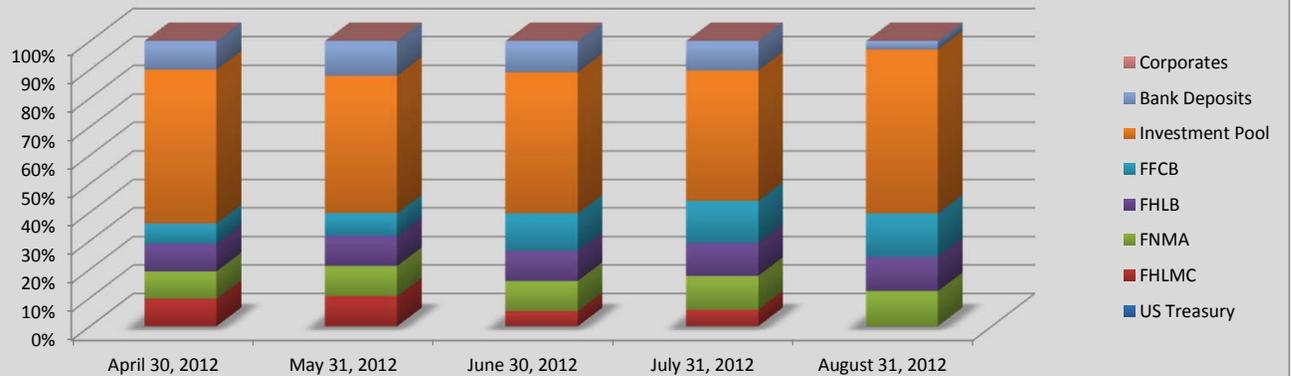
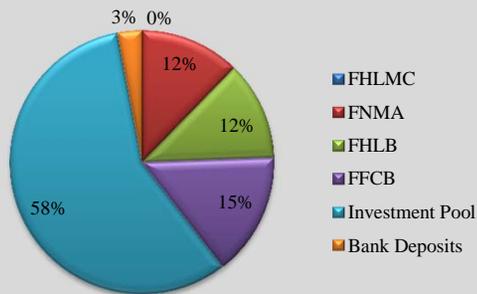
Total Asset Allocation Strategy
(Market Values)

Commentary

The core balance ended the month with \$13MM invested and \$2MM deposited back to the LGIP. The latter decision was based on lack of market opportunity when a FHLMC holding was called 8/8th, and the recognition that there might be better rates available for reinvestment when the next call occurs on 9/19th. Please note also that per Investment Council instructions, the Umpqua Bank holdings were transferred back to the LGIP and that account was closed effective August 31st due to a change in the risk/return status of that relationship.

Sector	Yield	April 30, 2012	May 31, 2012	June 30, 2012	July 31, 2012	August 31, 2012	Change From Last Month
US Treasury	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FHLMC	0.57%	\$4,003,822.00	\$4,002,160.00	\$2,000,498.00	\$2,000,094.00	\$0.00	(\$2,000,094.00)
FNMA	0.76%	\$4,067,760.00	\$4,067,260.00	\$4,072,890.00	\$4,081,450.00	\$4,081,246.00	(\$204.00)
FHLB	0.59%	\$4,046,009.00	\$4,043,873.00	\$4,039,458.00	\$4,040,023.00	\$4,038,475.00	(\$1,548.00)
FFCB	0.81%	\$3,003,354.00	\$3,002,727.00	\$5,002,433.00	\$5,012,354.00	\$5,016,113.00	\$3,759.00
Investment Pool	0.60%	\$22,579,197.07	\$18,429,573.49	\$18,931,461.47	\$15,758,660.68	\$19,090,136.01	\$3,331,475.33
Bank Deposits	0.53%	\$4,181,226.35	\$4,623,778.13	\$4,155,905.07	\$3,577,571.26	\$1,006,085.04	(\$2,571,486.22)
Corporates	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	0.63%	\$41,881,368.42	\$38,169,371.62	\$38,202,645.54	\$34,470,152.94	\$33,232,055.05	(\$1,238,097.89)

Current Sector Allocation





DETAIL AMORTIZATION COST RETURN
CITY OF CORVALLIS TOTAL
 From 07-31-12 to 08-31-12

CURRENT HOLDINGS	Interest Earned	Accretion (Amortization)	Realized Gain/Loss	Total Income
AGENCY BULLET	7,708.33	-3,149.51	0.00	4,558.82
AGENCY CALLABLE	3,234.72	253.26	0.00	3,487.99
CASH & EQUIVALENTS	224.29	0.00	0.00	224.29
OR STATE POOL	10,805.17	0.00	0.00	10,805.17
TOTAL	21,972.52	-2,896.25	0.00	19,076.27

SUMMARY OF AMORTIZED COST BASIS
RETURN FOR THE PERIOD
CITY OF CORVALLIS TOTAL
 July 31, 2012 to August 31, 2012

	Total Portfolio
Interest Earned	21,972.52
Accretion/Amortization	-2,896.25
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	19,076.27
Average Daily Historical Cost	34,455,453.92
Return	0.06%
Annualized Return	0.66%
Annualized Return Net of Fees	0.66%
Weighted Duration to Maturity in Years	0.88
Weighted Days to Maturity	327



**CITY OF CORVALLIS TOTAL
PORTFOLIO HOLDINGS**

August 31, 2012

Security Symbol	Quantity	Security	Call Date	Pur Date	Amort Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Dur Call
AGENCY BULLET															
3133XXYX9	1,000,000	FEDERAL HOME LN BKS 1.875% Due 06-21-13		05-11-11	100.92	0.71	101.33	0.22	1,013,335.00	3,645.83	1,016,980.83	4,094.52	3.0	0.80	0.80
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.43	0.55	100.84	0.24	3,025,140.00	4,666.67	3,029,806.67	12,384.18	9.1	1.32	1.32
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	102.53	0.81	104.05	0.33	2,080,934.00	11,284.72	2,092,218.72	30,366.41	6.3	3.07	3.07
3133EAUH9	2,000,000	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16		06-26-12	99.98	0.75	100.66	0.57	2,013,206.00	3,208.33	2,016,414.33	13,550.06	6.1	3.73	3.73
	8,000,000					0.69		0.34	8,132,615.00	22,805.56	8,155,420.56	60,395.17	24.5	2.30	2.30
AGENCY CALLABLE															
3135G0DF7	2,000,000	FEDERAL NATL MTG ASSN 0.700% Due 09-19-14	09-19-12	09-12-11	100.00	0.70	100.02	0.69	2,000,312.00	6,300.00	2,006,612.00	312.00	6.0	2.03	0.05
31331KT91	3,000,000	FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14	11-21-12	11-21-11	99.74	0.85	100.10	0.69	3,002,907.00	6,083.33	3,008,990.33	10,695.86	9.0	2.20	0.22
	5,000,000					0.79		0.69	5,003,219.00	12,383.33	5,015,602.33	11,007.86	15.1	2.13	0.16
CASH & EQUIVALENTS															
CASH	9,957	CASH 0.100% Due 09-01-12		08-31-12	1.00	0.10	1.00	0.10	9,957.00	0.00	9,957.00	0.00	0.0	0.00	0.00
CBANK3	996,128	Corvallis Wells Fargo 0.250% Due 09-01-12		08-31-12	1.00	0.25	1.00	0.25	996,128.04	0.00	996,128.04	0.00	3.0	0.00	0.00
	1,006,085					0.25		0.25	1,006,085.04	0.00	1,006,085.04	0.00	3.0	0.00	0.00
OR STATE POOL															
ORPOOL	2,000,000	OREGON STATE POOL 0.600% Due 09-01-12		08-08-12	1.00	0.60	1.00	0.60	2,000,000.00	0.00	2,000,000.00	0.00	6.0	0.00	0.00
ORPOOL	17,090,136	OREGON STATE POOL 0.600% Due 09-01-12		08-31-12	1.00	0.60	1.00	0.60	17,090,136.01	0.00	17,090,136.01	0.00	51.4	0.00	0.00
	19,090,136					0.60		0.60	19,090,136.01	0.00	19,090,136.01	0.00	57.4	0.00	0.00
TOTAL	33,096,221					0.64		0.54	33,232,055.05	35,188.89	33,267,243.94	71,403.03	100.0	0.88	0.59

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Special note: At this time AXYS does not correctly calculate book or market yields for variable rate, floating rate, or mortgage backed securities.



**CITY OF CORVALLIS TOTAL
 TRANSACTION SUMMARY**

From 08-01-12 To 08-31-12

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
Buy long							
08-08-12	08-08-12	ORPOOL	2,000,000	OREGON STATE POOL 0.600% Due 09-01-12		2,000,000.00	
08-31-12	08-31-12	CBANK3	996,128	Corvallis Wells Fargo 0.250% Due 09-01-12		996,128.04	
08-31-12	08-31-12	CASH	9,957	CASH 0.100% Due 09-01-12		9,957.00	
08-31-12	08-31-12	ORPOOL	17,090,136	OREGON STATE POOL 0.600% Due 09-01-12		17,090,136.01	
						<u>20,096,221.05</u>	
Deposit							
08-31-12	08-31-12	manfee		Management Fee **		1,500.00	
Interest							
08-31-12	08-31-12	ORPOOL		OREGON STATE POOL 0.600% Due 09-01-12		756.16	
08-31-12	08-31-12	CBANK3		Corvallis Wells Fargo 0.250% Due 09-01-12		224.29	
08-31-12	08-31-12	ORPOOL		OREGON STATE POOL 0.600% Due 09-01-12		10,049.01	
						<u>11,029.46</u>	
Deliver out long							
08-08-12		cash		Cash Account		6,250.00	
08-08-12		cash		Cash Account		<u>2,000,000.00</u>	
						2,006,250.00	
Sold Accrued Interest							
08-08-12	08-08-12	3134G2SL7		FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13		6,250.00	
Sell long							
08-08-12	08-08-12	3134G2SL7	2,000,000	FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13		2,000,000.00	CALLED

** Monthly allocation of the quarterly investment advisor fee from Davidson Fixed Income Management, Inc.



CITY OF CORVALLIS TOTAL TRANSACTION SUMMARY

From 08-01-12 To 08-31-12

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
08-31-12	08-31-12	CBANK	1,412	Corvallis B of A 0.200% Due 09-01-12		1,412.19	
08-31-12	08-31-12	CBANK3	277,527	Corvallis Wells Fargo 0.250% Due 09-01-12		277,526.66	
08-31-12	08-31-12	CASH	9,832	CASH 0.100% Due 09-01-12		9,832.00	
08-31-12	08-31-12	ORPOOL	15,758,661	OREGON STATE POOL 0.600% Due 09-01-12		15,758,660.68	
08-31-12	08-31-12	CBANK2	3,288,800	Corvallis Umpqua Bank 0.610% Due 09-01-12		3,288,800.41	
						<hr/> 21,336,231.94	

AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
August 31, 2012

Purchase Information					Amortization/Accretion Information				
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
FNMA(Straight Line)									
FEDERAL NATL MTG ASSN 1.625% Due 10-26-15 (31398A4M1)									
2,000,000	1	01-13-12	103.028	2,060,564.00	-1,359.16	-9,996.41	-9,996.41	-50,567.59	2,050,567.59
FNMA CALLABLE(Straight Line)									
FEDERAL NATL MTG ASSN 0.700% Due 09-19-14 (3135G0DF7)									
2,000,000	1	09-12-11	100.000	2,000,000.00	0.00	0.00	0.00	0.00	2,000,000.00
FHLB(Straight Line)									
FEDERAL HOME LN BKS 0.875% Due 12-27-13 (313371UC8)									
3,000,000	1	11-21-11	100.674	3,020,223.00	-817.96	-6,438.13	-7,467.18	-12,755.82	3,012,755.82
FEDERAL HOME LN BKS 1.875% Due 06-21-13 (3133XXYX9)									
1,000,000	1	05-11-11	102.429	1,024,290.00	-980.12	-7,702.97	-15,049.52	-9,240.48	1,009,240.48
Total				4,044,513.00	-1,798.08	-14,141.10	-22,516.70	-21,996.30	4,021,996.30
FFCB(Straight Line)									
FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16 (3133EAUH9)									
2,000,000	1	06-26-12	99.982	1,999,640.00	7.72	15.94	15.94	344.06	1,999,655.94
FFCB CALLABLE(Straight Line)									
FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14 (31331KT91)									
3,000,000	1	11-21-11	99.650	2,989,500.00	296.98	2,337.52	2,711.14	7,788.86	2,992,211.14
CASH(Straight Line)									
CASH 0.100% Due 09-01-12 (CASH)									
9,957	5	08-31-12	1.000	9,957.00	0.00	0.00	0.00	0.00	9,957.00
Corvallis Wells Fargo 0.250% Due 09-01-12 (CBANK3)									
996,128	3	08-31-12	1.000	996,128.04	0.00	0.00	0.00	0.00	996,128.04
Total				1,006,085.04	0.00	0.00	0.00	0.00	1,006,085.04
POOL(Straight Line)									
OREGON STATE POOL 0.600% Due 09-01-12 (ORPOOL)									



AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
 August 31, 2012

Purchase Information					Amortization/Accretion Information				
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
2,000,000	2	08-08-12	1.000	2,000,000.00	0.00	0.00	0.00	0.00	2,000,000.00
17,090,136	6	08-31-12	1.000	17,090,136.01	0.00	0.00	0.00	0.00	17,090,136.01
19,090,136				19,090,136.01	0.00	0.00	0.00	0.00	19,090,136.01
GRAND TOTAL				33,190,438.05	-2,852.53	-21,784.05	-29,786.03	-64,430.97	33,160,652.02

*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Special Note: If a security matures or is sold between prior month end and this report it will not be included on this table. Please make adjustments as needed.



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 07-31-12 To 08-31-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
AGENCY							
AGENCY BULLET							
FHLB							
3133XXYX9	FEDERAL HOME LN BKS 1.875% Due 06-21-13	2,083.33	0.00	0.00	0.00	1,562.50	3,645.83
313371UC8	FEDERAL HOME LN BKS 0.875% Due 12-27-13	2,479.17	0.00	0.00	0.00	2,187.50	4,666.67
		<u>4,562.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,750.00</u>	<u>8,312.50</u>
FNMA							
31398A4M1	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15	8,576.39	0.00	0.00	0.00	2,708.33	11,284.72
		<u>8,576.39</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,708.33</u>	<u>11,284.72</u>
FFCB							
3133EAUH9	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16	1,958.33	0.00	0.00	0.00	1,250.00	3,208.33
		<u>1,958.33</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,250.00</u>	<u>3,208.33</u>
	AGENCY BULLET Total	<u>15,097.22</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>7,708.33</u>	<u>22,805.56</u>
AGENCY CALLABLE							
FNMA							
3135G0DF7	FEDERAL NATL MTG ASSN 0.700% Due 09-19-14	5,133.33	0.00	0.00	0.00	1,166.67	6,300.00
		<u>5,133.33</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,166.67</u>	<u>6,300.00</u>
FHLMC							
3134G2SL7	FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13	6,006.94	0.00	-6,250.00	0.00	243.06	0.00
		<u>6,006.94</u>	<u>0.00</u>	<u>-6,250.00</u>	<u>0.00</u>	<u>243.06</u>	<u>0.00</u>



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 07-31-12 To 08-31-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
FFCB 31331KT91	FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14	4,258.33	0.00	0.00	0.00	1,825.00	6,083.33
		4,258.33	0.00	0.00	0.00	1,825.00	6,083.33
	AGENCY CALLABLE Total	15,398.61	0.00	-6,250.00	0.00	3,234.72	12,383.33
	AGENCY Total	30,495.83	0.00	-6,250.00	0.00	10,943.06	35,188.89
CASH							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.100% Due 09-01-12	0.00	0.00	0.00	0.00	0.00	0.00
CBANK3	Corvallis Wells Fargo 0.250% Due 09-01-12	0.00	0.00	0.00	-224.29	224.29	0.00
		0.00	0.00	0.00	-224.29	224.29	0.00
BANK DEPOSITS							
CBANK	Corvallis B of A 0.200% Due 09-01-12	0.00	0.00	0.00	0.00	0.00	0.00
CBANK2	Corvallis Umpqua Bank 0.610% Due 09-01-12	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00
	CASH & EQUIVALENTS Total	0.00	0.00	0.00	-224.29	224.29	0.00



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 07-31-12 To 08-31-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
OR STATE POOL							
ORPOOL	STATE INVESTMENT POOL OREGON STATE POOL 0.600% Due 09-01-12	0.00	0.00	0.00	-10,805.17	10,805.17	0.00
		0.00	0.00	0.00	-10,805.17	10,805.17	0.00
OR STATE POOL Total		0.00	0.00	0.00	-10,805.17	10,805.17	0.00
CASH Total		0.00	0.00	0.00	-11,029.46	11,029.46	0.00
TOTAL PORTFOLIO		30,495.83	0.00	-6,250.00	-11,029.46	21,972.52	35,188.89

City of Corvallis
Glossary of Davidson Fixed Income Management, Inc. Acronyms and Terms

Investment/Issuer Types			Other		
BA	Banker's Acceptance	FFCB	Federal Farm Credit Bureau	CPI	Consumer Price Index
CASH	Petty Cash	FFCR	Federal Farm Credit Bank	FOMC	Federal Open Market Committee
CBANK	Bank of America Checking	FHLB	Federal Home Loan Bank	GDP	Gross Domestic Product
CBANK2	Umpqua Money Market	FHLMC	Federal Home Loan Mortgage Corporation	OSTFB	Oregon Short Term Fund Board
CBANK3	Wells Fargo Bank Checking	FNMA	Federal National Mortgage Association	QE	Quantitative Easing
CD	Certificates of Deposit	ORPOOL	Local Government Investment Pool	YTM	Yield to Maturity
CP	Commercial Paper			TIPS	Treasury Inflation Protected Securities

* All investments are held with US Bank, the City's third-party safekeeper.

Asset Allocation Strategy: a strategy that incorporates evaluating spread relationships between the investment alternatives. Treasury securities are the baseline yields to which all other issues are compared.

Benchmark: a benchmark is a target or market level comparator using a set of securities that appropriately matches the portfolio's risk and return characteristics through interest rate cycles.

Book Value: the cost of the principal at the time of the security purchase.

Buy long: reporting program terminology meaning a security has been placed in the portfolio.

Days to Maturity: (weighted average) number of days from the report date to the maturity date of a security (or group of securities).

Duration Strategy: a strategy that provides discipline for making investment decisions based on balancing risk and return. The duration of the portfolio will be adjusted relative to the benchmark as interest rates vary. The portfolio duration will be longer than the benchmark when rates are historically high and shorter when rates are historically low. The portfolio manager will typically manage the duration in a range of +/-25% to the benchmark duration.

Investment Component (Core): portion of the portfolio that is not expected to be needed for daily needs of participants. This portion is invested in maturities between 1 month and 3 years with an average maturity target of 9 months.

Liquidity Component: portion of the portfolio that is held in short maturity investments to meet immediate liquidity needs of the Funds. Investments designated to this component are LGIP Funds and Bank deposits.

Market Value: par value time the price at which the security could theoretically have been sold at month end per Interactive Data Corp. (IDC) an independent third-party security pricing firm.

Par Value: the face value of a security. This is the value to which the coupon rate is applied for interest payments.

Purchased Accrued Interest: number of days interest between last coupon date and purchase date that is paid for at time of investment purchase.

Return: the return of the total funds will be calculated on an accrual yield basis, which is the amount paid out to participants. This return will be compared to the OST Pool rate. Additionally, a total return calculation will be calculated and tracked internally to assist management in being accountable to the risk and return of the core investment portfolio on a market value basis.

Risk: the risks associated with investing are credit risk, mark to market risk and reinvestment rate risk.

Security Types: the portfolio's call exposure will be managed through balancing callable or variable rate exposure to fixed rate maturity securities.

Sell long: reporting program terminology meaning a security in the portfolio is available to sell; typically a liquid/cash account, since the City generally holds to maturity.

Term: (weighted average) number of days from the purchase date to the maturity date of a security (or group of securities).

Yield Curve Strategy: the portfolio will be generally laddered, but the manager will implement a yield curve strategy when value is present in particular maturity sectors.

City of Corvallis
Cash Flow Summary
August 2012

	Receipts (1)	Disbursements (2)	Net
Actual Activity	4,294,217	6,710,181	(2,415,964)
Projected Activity	5,514,614	8,956,462	(3,441,848)
Difference	(1,220,397)	(2,246,281)	1,025,884

(1) Receipts include deposits and interest received.

Receipts appear significantly less than budget mostly in the area of Federal Grants. Most grants are disbursed on a reimbursement basis, so receipt of grant dollars is dependent upon the submission of the reimbursement request. This situation held true for receipts related to the Community Development Block Grant (CDBG) and HOME, the largest Federal block grant from the Department of Housing and Urban Development (HUD), which were received in September based on activity and reimbursement request submission timing, though projected to be received in August based on historical averaging. Another situation impacting total grants recorded in August was the timing of accruals booked back to FY 11-12 in August for current year receipts related to the prior year. This was the case with projected receipts cash flowed for August in respect of the Transit operating grant, where the accrual of the prior year payment received in July was not recorded until August, thus totally offsetting all August receipts from a cash flow perspective. Likewise, State grants anticipated for Storm Water construction fund projects have not yet been received, but an accrual of \$192,000 was booked in August reducing "cash flow" accordingly.

(2) Disbursements include vendor payments, payroll costs, and all other operating expenditures made by check and wire or electronic transfer.

Disbursements are also lower than budget mostly due to the areas of General Services and Vehicles. General Services are significantly lower than what was cash flowed due to the carry over of several capital projects from last fiscal year which have either not yet commenced, or were completed last year despite projections to the contrary. Vehicle expenditures are significantly lower than what was cash flowed due primarily to the planned August purchase of one of two replacement buses that has not yet occurred.

Intrafund and interfund transfers, and investment purchases and maturities are movements between cash in different accounting funds or investment securities. The net effect on cash is zero, therefore they are not included.

City of Corvallis
Monthly Revenue Allocations
Distributed in August 2012

Fund	Fund Name	Month's Avg Cash Balance	Interest Distributed	Fund	Fund Name	Month's Avg Cash Balance	Interest Distributed
101	General	367,881.34	(210.44)	460	Davidson Library	5,955.65	2.92
201	Street	895,566.41	211.99	501	Water	1,251,640.91	594.26
208	Street SDC	2,258,834.64	797.35	502	Water Timber	275,925.92	97.00
210	Parks & Recreation	994,886.72	368.73	508	Water SDC	4,657,703.27	2,447.61
211	Parks & Recreation - Aquatics	148,691.13	10.43	509	Water Construction	159,822.67	71.69
212	Open Space	94,447.45	46.46	520	Wastewater	3,386,000.12	1,758.19
218	Parks SDC	2,034,899.79	643.74	528	Wastewater SDC	7,988,350.40	(26.37)
220	911	638,805.47	352.70	529	Wastewater Construction	213,771.16	4,183.15
230	Development Services	1,351,285.29	709.96	540	Storm Water	1,683,629.89	795.73
240	Fire & Rescue	(218,693.03)	207.93	548	Storm Water SDC	68,924.86	12.41
250	Comm Dev Revolving	(50,866.91)	(90.83)	549	Storm Water Construction	(150,528.80)	12.99
260	Parking	1,048,822.81	470.43	560	Airport	568,899.28	290.35
270	Transit	638,205.45	(5.56)	569	Airport Construction	-	(3.87)
290	Library	466,855.92	130.94	610	Fleet Maintenance	74,197.11	77.32
291	Library 2010	434,890.59	213.98	615	Facility Maintenance	147,750.83	133.60
301	Capital Improvement	1,668,450.93	491.35	620	Technology & Communications	512,542.89	376.07
401	General Obligation Debt Service	11,407.40	41.22	625	Administrative Services	263,340.45	217.93
				630	Risk Management	1,013,144.47	514.88
Total						34,905,442.50	15,946.24

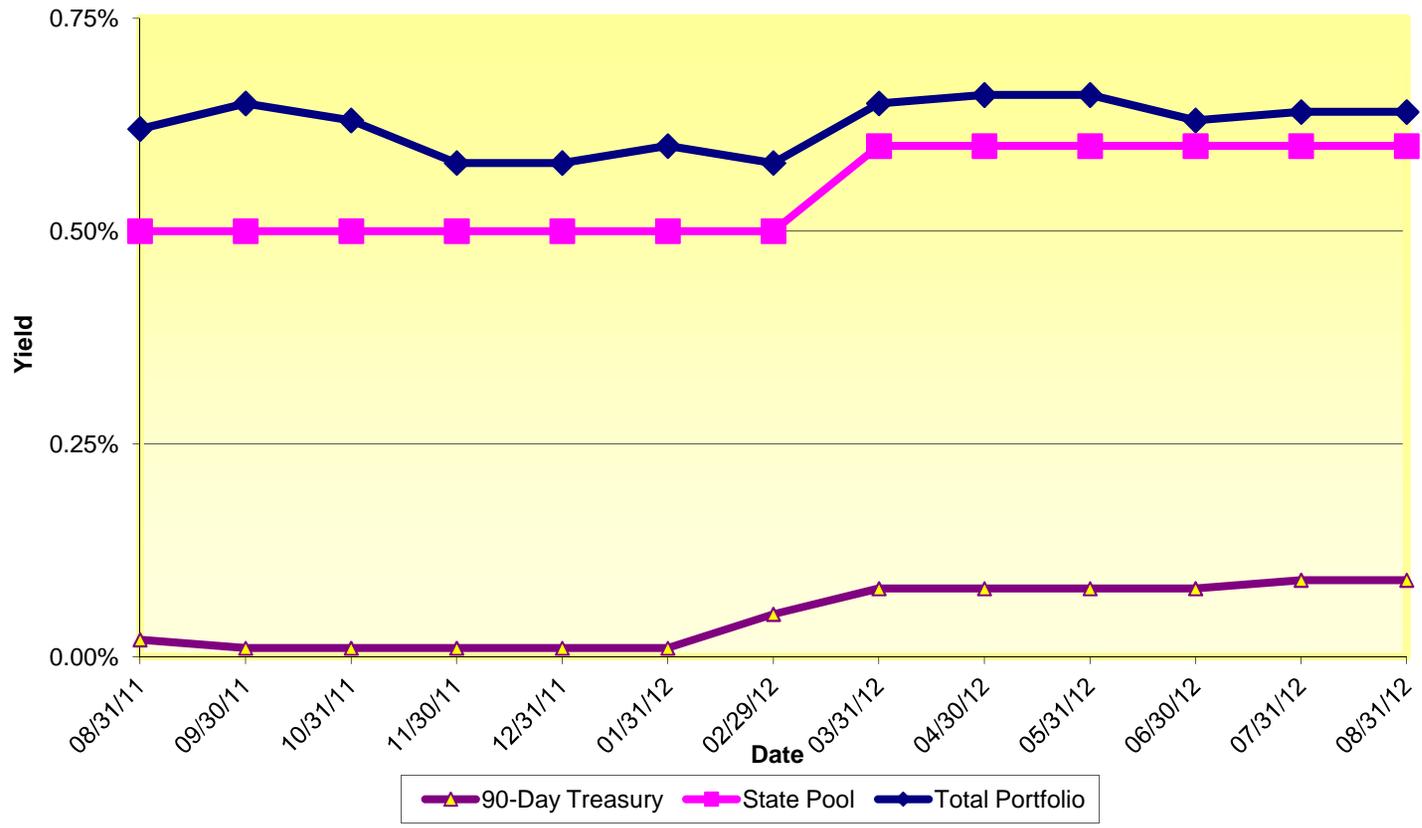
Accrual accounting on investments was implemented in August 2011. The interest distributed will equal the monthly interest income accrual, net of any amortization or accretion on a premium/discount paid on an investment; this is also net of the previous fiscal year's GASB 31 Fair Value Adjustment reversal.

The distribution is based on the average cash balance for the period in which interest is earned.

The interest distributed to sub-funds 509, 529, 549, & 569 is distributed to the operations fund.

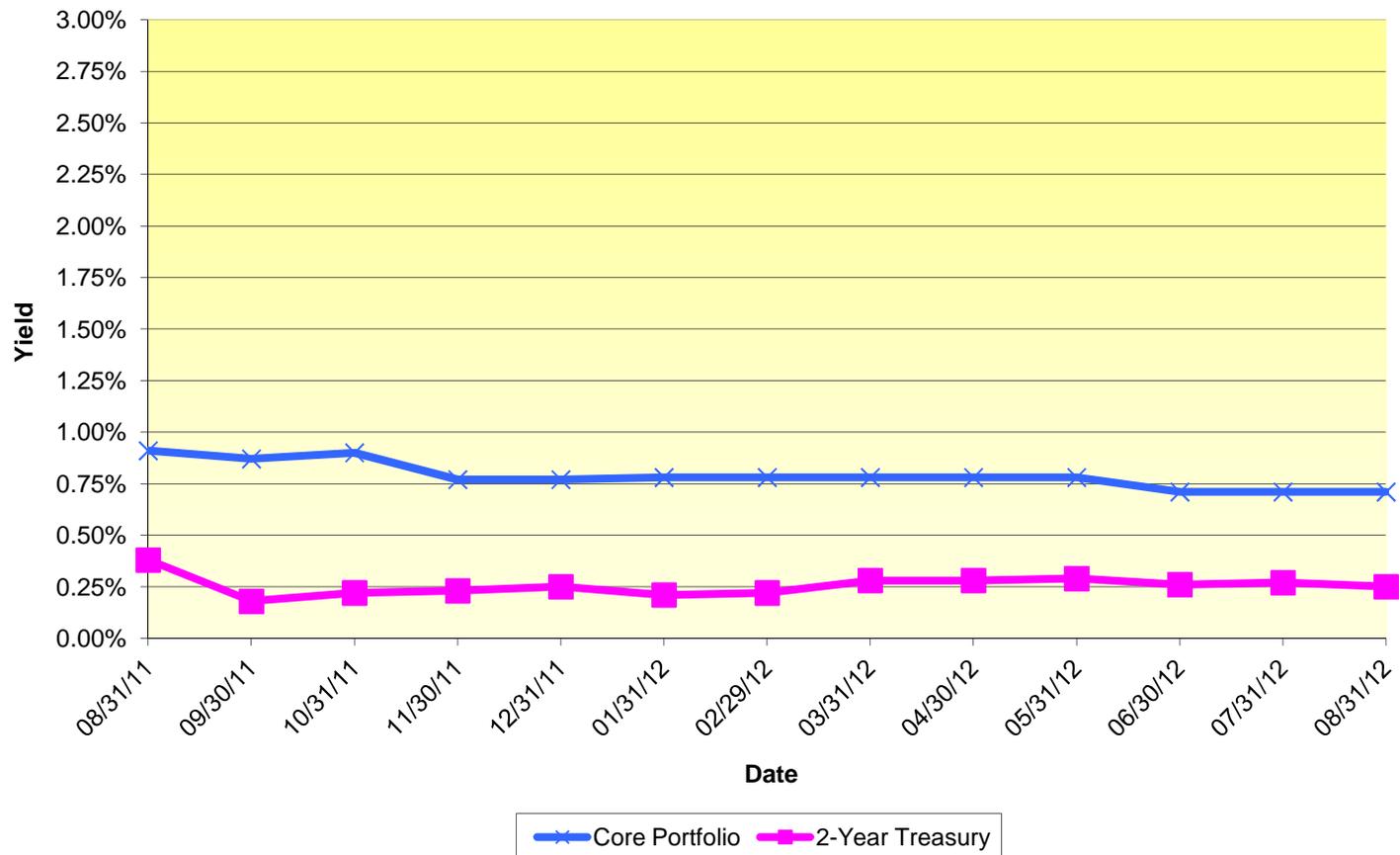


City of Corvallis Total Portfolio vs. Benchmark August 2011 - August 2012





City of Corvallis Core Portfolio vs. Benchmark August 2011- August 2012





City of Corvallis Cash & Investments

