

CITY OF CORVALLIS

Investment Council

Treasury Report

July 2012

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

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JULY 2012

As the athletic world focused on the Olympics, the financial markets were focused on the world. The president of the European Central Bank, Mario Draghi, has promised that “The ECB is ready to do whatever it takes to preserve the euro.” Unfortunately, the economy in the euro zone continues to fall. Unemployment in the zone rose to a record 11.2%. Moody’s lowered the outlook for Europe’s top credit countries. Meanwhile, it is rumored that Greece is likely to run out of money by August barring additional cash infusions and talk grows that more debt restructuring may be needed. The IMF is believed to be unwilling to release the next tranche of funds without proof of more austerity measures and enforcing those previously agreed. To illustrate the uncertainty in the worldwide markets, the following are closing two-year yield rates from around the globe:

*Two Year Bond yields as of July 31, 2012:

United States:	0.21%	United Kingdom:	0.08%	Italy:	4.00%
Canada:	1.075%	France:	0.126%	Spain:	5.168%
Brazil:	0.845%	Germany:	-0.094	Switzerland:	-0.521

Sector Performance:

While the global economy remains in turmoil, last month’s returns for many domestic asset classes came in strong. The gains were not as strong as in June but assets, from commodities to stocks turned in good performances. The big winner was commodities with an increase of 6.5% in July. New record low yields were recorded on five, ten and thirty year treasuries on 7/24/12. The benchmark Ten-year Treasury Note hit an all-time low yield of 1.388%. The lone loser was short cash (3-month T-bills). The last time everything except cash moved higher was January 2012.

TIPs (Barclays Treasury TIPS)	1.9%
U.S. Bonds (Barclays US Aggregate Bond)	1.4%
U.S. Dow Jones Industrial Average	1.15%
Current Treasury 2-year note	0.201%
One-year Treasury note index	0.095%

*Source: Bloomberg

Key Economic Data:

There was very little positive news in the June employment report as job gains were paltry and the unemployment rate remained at 8.2%, as expected. The labor force participation rate was unchanged at 63.8% and has been at that level for three of the past four months. This remains near the lowest level since the early 1980s and is a reflection of people dropping out of the work force. Non-farm payrolls rose 80,000. A gain of 100,000 was expected. Revisions to the previous two months subtracted 1,000 workers. Private payrolls rose 84,000 while government fell 4,000. In the past year, private employment has risen by 1,946,000 while government workers have declined 117,000. Employment remains 4.863 million workers below its peak.

*CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER:

	<u>05/31/2012</u>	<u>06/30/12</u>	<u>07/31/12</u>	<u>Chg July</u>
3-month bill	0.07	0.08	0.10	+0.02
6-month bill	0.12	0.16	0.13	-0.03
2-year note	0.26	0.30	0.21	-0.09
5-year note	0.66	0.72	0.58	-0.14
10-year note	1.56	1.65	1.47	-0.18

*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	\$19,336,231.94	60.00%	56.1%	-3.90%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$15,133,921.00	40.00%	43.9%	3.90%
Total			\$34,470,152.94			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	56%	Yes
Under 1 Year	> 25%	59%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.96	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	\$34,470,152.94	Yes
Federal Agency and Agency Sponsored	100%	40%	43.90%	\$15,133,921.00	5 Years	\$19,336,231.94	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	10.38%	\$3,577,571.26		\$5,039,966.98	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$3,447,015.29	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$3,447,015.29	Yes
State Obligations (OR,WA, AA or better)	10%	5%	0.00%	\$0.00	5 Years	\$3,447,015.29	Yes
State Pool	ORS Maximum or 100%		45.72%	\$15,758,660.68	N/A	\$28,715,503.32	Yes
Total			100.00%	\$34,470,152.94			

ORS Maximum \$44,474,164.00

Policy : August 2011

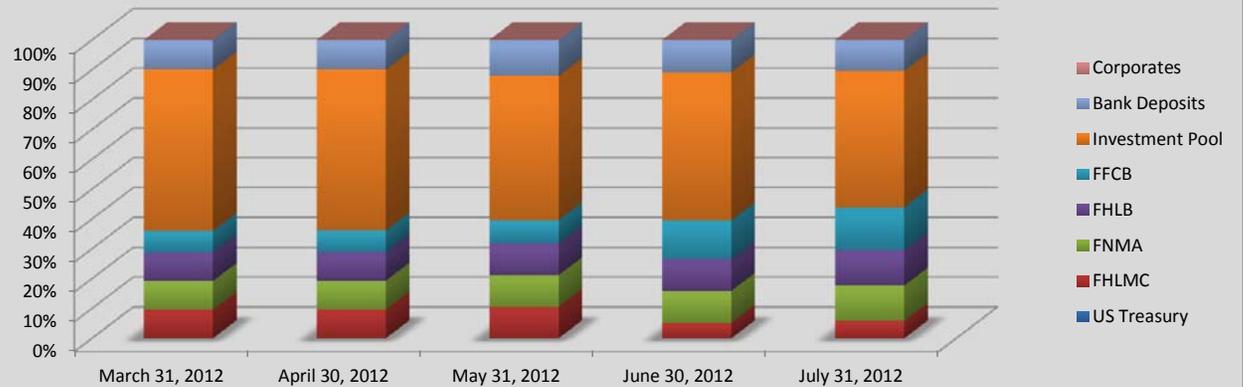
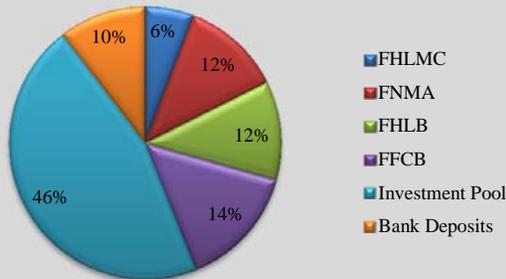
Total Asset Allocation Strategy
(Market Values)

Commentary

Overall balances decreased this month, primarily due to an decrease in the LGIP holdings.

Sector	Yield	March 31, 2012	April 30, 2012	May 31, 2012	June 30, 2012	July 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%	\$4,005,392.00	\$4,003,822.00	\$4,002,160.00	\$2,000,498.00	\$2,000,094.00	(\$404.00)
FNMA	0.76%	\$4,059,598.00	\$4,067,760.00	\$4,067,260.00	\$4,072,890.00	\$4,081,450.00	\$8,560.00
FHLB	0.59%	\$4,052,226.00	\$4,046,009.00	\$4,043,873.00	\$4,039,458.00	\$4,040,023.00	\$565.00
FFCB	0.81%	\$2,992,665.00	\$3,003,354.00	\$3,002,727.00	\$5,002,433.00	\$5,012,354.00	\$9,921.00
Investment Pool	0.60%	\$22,712,714.38	\$22,579,197.07	\$18,429,573.49	\$18,931,461.47	\$15,758,660.68	(\$3,172,800.79)
Bank Deposits	0.53%	\$4,203,950.84	\$4,181,226.35	\$4,623,778.13	\$4,155,905.07	\$3,577,571.26	(\$578,333.81)
Corporates	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	0.63%	\$42,026,546.22	\$41,881,368.42	\$38,169,371.62	\$38,202,645.54	\$34,470,152.94	(\$3,732,492.60)

Current Sector Allocation





DETAIL AMORTIZATION COST RETURN
CITY OF CORVALLIS TOTAL
 From 06-30-12 to 07-31-12

CURRENT HOLDINGS	Interest Earned	Accretion (Amortization)	Realized Gain/Loss	Total Income
AGENCY BULLET	7,965.28	-3,149.51	0.00	4,815.76
AGENCY CALLABLE	4,167.78	127.58	0.00	4,295.36
CASH & EQUIVALENTS	1,977.13	0.00	0.00	1,977.13
OR STATE POOL	8,883.81	0.00	0.00	8,883.81
TOTAL	22,994.00	-3,021.93	0.00	19,972.06

SUMMARY OF AMORTIZED COST BASIS
RETURN FOR THE PERIOD
CITY OF CORVALLIS TOTAL
 June 30, 2012 to July 31, 2012

	Total Portfolio
Interest Earned	22,994.00
Accretion/Amortization	-3,021.93
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	19,972.06
Average Daily Historical Cost	38,099,653.62
Return	0.05%
Annualized Return	0.62%
Annualized Return Net of Fees	0.62%
Weighted Duration to Maturity in Years	0.94
Weighted Days to Maturity	349



**CITY OF CORVALLIS TOTAL
PORTFOLIO HOLDINGS**

July 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	101.02	0.71	101.47	0.22	1,014,688.00	2,083.33	1,016,771.33	4,467.41	2.9	0.89	0.89
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.45	0.55	100.84	0.27	3,025,335.00	2,479.17	3,027,814.17	11,761.22	8.8	1.40	1.40
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	102.60	0.81	104.03	0.37	2,080,536.00	8,576.39	2,089,112.39	28,609.25	6.0	3.15	3.15
3133EAUH9	2,000,000	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16		06-26-12	99.98	0.75	100.43	0.64	2,008,658.00	1,958.33	2,010,616.33	9,009.78	5.8	3.81	3.81
	8,000,000					0.69		0.38	8,129,217.00	15,097.22	8,144,314.22	53,847.66	23.6	2.38	2.38
AGENCY CALLABLE															
3134G2SL7	2,000,000	FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13	08-08-12	08-03-11	100.00	0.57	100.00	0.62	2,000,094.00	6,006.94	2,006,100.94	55.75	5.8	1.01	0.02
3135G0DF7	2,000,000	FEDERAL NATL MTG ASSN 0.700% Due 09-19-14	09-19-12	09-12-11	100.00	0.70	100.05	0.68	2,000,914.00	5,133.33	2,006,047.33	914.00	5.8	2.11	0.14
31331KT91	3,000,000	FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14	11-21-12	11-21-11	99.73	0.85	100.12	0.68	3,003,696.00	4,258.33	3,007,954.33	11,781.84	8.7	2.28	0.31
	7,000,000					0.73		0.66	7,004,704.00	15,398.61	7,020,102.61	12,751.59	20.3	1.87	0.18
CASH & EQUIVALENTS															
CASH	9,832	CASH 0.100% Due 08-01-12		03-31-12	1.00	0.10	1.00	0.10	9,832.00	0.00	9,832.00	0.00	0.0	0.00	0.00
CBANK	1,412	Corvallis B of A 0.200% Due 08-01-12		06-30-12	1.00	0.20	1.00	0.20	1,412.19	0.00	1,412.19	0.00	0.0	0.00	0.00
CBANK2	3,288,800	Corvallis Umpqua Bank 0.610% Due 08-01-12		07-31-12	1.00	0.61	1.00	0.61	3,288,800.41	0.00	3,288,800.41	0.00	9.5	0.00	0.00
CBANK3	277,527	Corvallis Wells Fargo 0.250% Due 08-01-12		05-31-12	1.00	0.25	1.00	0.25	277,526.66	0.00	277,526.66	0.00	0.8	0.00	0.00
	3,577,571					0.58		0.58	3,577,571.26	0.00	3,577,571.26	0.00	10.4	0.00	0.00
OR STATE POOL															
ORPOOL	15,758,661	OREGON STATE POOL 0.600% Due 08-01-12		06-30-12	1.00	0.60	1.00	0.60	15,758,660.68	0.00	15,758,660.68	0.00	45.7	0.00	0.00
TOTAL	34,336,232					0.64		0.56	34,470,152.94	30,495.83	34,500,648.77	66,599.24	100.0	0.94	0.60

*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 07-01-12 To 07-31-12

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
Buy long							
07-31-12	07-31-12	CBANK2	3,288,800	Corvallis Umpqua Bank 0.610% Due 08-01-12		3,288,800.41	
Deposit							
07-31-12	07-31-12	manfee		Management Fee ¹		1,500.00	
Interest							
07-31-12	07-31-12	CBANK2		Corvallis Umpqua Bank 0.610% Due 08-01-12		1,757.89	
07-31-12	07-31-12	ORPOOL		OREGON STATE POOL 0.600% Due 08-01-12		8,883.81	
07-31-12	07-31-12	CBANK3		Corvallis Wells Fargo 0.250% Due 08-01-12		187.35	
07-31-12	07-31-12	CBANK		Corvallis B of A 0.200% Due 08-01-12		31.89	
						10,860.94	
Sell long							
07-31-12	07-31-12	CASH	750	CASH 0.100% Due 08-01-12		750.00	
07-31-12	07-31-12	CBANK	191,745	Corvallis B of A 0.200% Due 08-01-12		191,745.44	
07-31-12	07-31-12	CBANK3	387,581	Corvallis Wells Fargo 0.250% Due 08-01-12		387,581.26	
07-31-12	07-31-12	CBANK2	3,287,058	Corvallis Umpqua Bank 0.610% Due 08-01-12		3,287,057.52	
07-31-12	07-31-12	ORPOOL	3,172,801	OREGON STATE POOL 0.600% Due 08-01-12		3,172,800.79	
						7,039,935.01	

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

AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
 July 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	-8,637.25	-8,637.25	-51,926.75	2,051,926.75
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	-5,620.17	-6,649.22	-13,573.78	3,013,573.78
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	-6,722.86	-14,069.41	-10,220.59	1,010,220.59
Total				4,044,513.00	-1,798.08	-12,343.03	-20,718.63	-23,794.37	4,023,794.37
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	8.22	8.22	351.78	1,999,648.22
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	2,040.54	2,414.16	8,085.84	2,991,914.16
FHLMC CALLABLE(Straight Line)									
FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13 (3134G2SL7)									
2,000,000	1	08-03-11	100.100	2,002,000.00	-169.40	-1,163.93	-1,961.75	-38.25	2,000,038.25
CASH(Straight Line)									
CASH 0.100% Due 08-01-12 (CASH)									
9,832	4	03-31-12	1.000	9,832.00	0.00	0.00	0.00	0.00	9,832.00
Corvallis B of A 0.200% Due 08-01-12 (CBANK)									
1,412	8	06-30-12	1.000	1,412.19	0.00	0.00	0.00	0.00	1,412.19
Corvallis Umpqua Bank 0.610% Due 08-01-12 (CBANK2)									

*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.



AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
 July 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
3,288,800	15	07-31-12	1.000	3,288,800.41	0.00	0.00	0.00	0.00	3,288,800.41
Corvallis Wells Fargo		0.250% Due 08-01-12 (CBANK3)							
277,527	2	05-31-12	1.000	277,526.66	0.00	0.00	0.00	0.00	277,526.66
Total				3,577,571.26	0.00	0.00	0.00	0.00	3,577,571.26
POOL(Straight Line)									
OREGON STATE POOL		0.600% Due 08-01-12 (ORPOOL)							
15,758,661	5	06-30-12	1.000	15,758,660.68	0.00	0.00	0.00	0.00	15,758,660.68
GRAND TOTAL				34,432,448.94	-3,021.93	-20,095.45	-28,895.24	-67,321.76	34,403,553.70

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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 06-30-12 To 07-31-12

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	468.75	0.00	0.00	0.00	1,614.58	2,083.33
313371UC8	FEDERAL HOME LN BKS 0.875% Due 12-27-13	218.75	0.00	0.00	0.00	2,260.42	2,479.17
		<u>687.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,875.00</u>	<u>4,562.50</u>
FNMA 31398A4M1	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15	5,777.78	0.00	0.00	0.00	2,798.61	8,576.39
		<u>5,777.78</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,798.61</u>	<u>8,576.39</u>
FFCB 3133EAUH9	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16	666.67	0.00	0.00	0.00	1,291.67	1,958.33
		<u>666.67</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,291.67</u>	<u>1,958.33</u>
	AGENCY BULLET Total	<u>7,131.94</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>7,965.28</u>	<u>15,097.22</u>
AGENCY CALLABLE							
FNMA 3135G0DF7	FEDERAL NATL MTG ASSN 0.700% Due 09-19-14	3,927.78	0.00	0.00	0.00	1,205.56	5,133.33
		<u>3,927.78</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,205.56</u>	<u>5,133.33</u>
FHLMC 3134G2SL7	FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13	4,930.56	0.00	0.00	0.00	1,076.39	6,006.94
		<u>4,930.56</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,076.39</u>	<u>6,006.94</u>



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 06-30-12 To 07-31-12

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	2,372.50	0.00	0.00	0.00	1,885.83	4,258.33
		2,372.50	0.00	0.00	0.00	1,885.83	4,258.33
	AGENCY CALLABLE Total	11,230.83	0.00	0.00	0.00	4,167.78	15,398.61
	AGENCY Total	18,362.78	0.00	0.00	0.00	12,133.06	30,495.83
CASH							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.100% Due 08-01-12	0.00	0.00	0.00	0.00	0.00	0.00
CBANK3	Corvallis Wells Fargo 0.250% Due 08-01-12	0.00	0.00	0.00	-187.35	187.35	0.00
		0.00	0.00	0.00	-187.35	187.35	0.00
BANK DEPOSITS							
CBANK	Corvallis B of A 0.200% Due 08-01-12	0.00	0.00	0.00	-31.89	31.89	0.00
CBANK2	Corvallis Umpqua Bank 0.610% Due 08-01-12	0.00	0.00	0.00	-1,757.89	1,757.89	0.00
		0.00	0.00	0.00	-1,789.78	1,789.78	0.00
	CASH & EQUIVALENTS Total	0.00	0.00	0.00	-1,977.13	1,977.13	0.00



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 06-30-12 To 07-31-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
OR STATE POOL							
	STATE INVESTMENT POOL						
ORPOOL	OREGON STATE POOL 0.600% Due 08-01-12	0.00	0.00	0.00	-8,883.81	8,883.81	0.00
		0.00	0.00	0.00	-8,883.81	8,883.81	0.00
	OR STATE POOL Total	0.00	0.00	0.00	-8,883.81	8,883.81	0.00
	CASH Total	0.00	0.00	0.00	-10,860.94	10,860.94	0.00
TOTAL PORTFOLIO		18,362.78	0.00	0.00	-10,860.94	22,994.00	30,495.83

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
July 2012

	Receipts (1)	Disbursements (2)	Net
Actual Activity	4,849,992	7,419,335	(2,569,343)
Projected Activity	4,689,179	8,576,695	(3,887,516)
Difference	160,813	(1,157,360)	1,318,173

(1) Receipts include deposits and interest received.

Receipts are greater than budget mostly due to Federal Grants received. Several projects had been postponed last fiscal year, delaying the receipt of grant dollars, such as the Environmental Protection Agency (EPA) Climate Showcase Communities Grant, which was received in July.

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

Disbursements are lower than budget mostly due to the areas of General Services and Insurance. General Services are significantly lower than what was cash flowed due to the carry over of several capital projects from last fiscal year, as referenced above. Insurance was lower due to the property coverage payment being disbursed in August, rather than July, as was cash flowed for.

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 July 2012

Fund	Fund Name	Month's Avg Cash Balance	Interest Distributed	Fund	Fund Name	Month's Avg Cash Balance	Interest Distributed
101	General	805,925.36	234.55	460	Davidson Library	5,959.46	1.70
201	Street	1,016,734.90	290.57	501	Water	1,036,191.95	297.01
208	Street SDC	2,205,251.83	632.83	502	Water Timber	276,118.06	79.22
210	Parks & Recreation	1,374,328.18	394.39	508	Water SDC	4,618,006.25	1,325.23
211	Parks & Recreation - Aquatics	169,344.13	48.58	509	Water Construction	166,380.52	47.73
212	Open Space	94,507.72	27.12	520	Wastewater	3,309,873.52	949.91
218	Parks SDC	2,001,104.88	574.26	528	Wastewater SDC	7,889,983.59	60.13
220	911	633,358.94	181.75	529	Wastewater Construction	209,571.39	2,264.21
230	Development Services	1,475,613.73	423.46	540	Storm Water	1,695,509.95	487.42
240	Fire & Rescue	566,713.35	162.62	548	Storm Water SDC	65,552.88	18.80
250	Comm Dev Revolving	(20,535.51)	(5.88)	549	Storm Water Construction	(152,412.66)	(43.73)
260	Parking	1,057,421.66	303.30	560	Airport	543,811.35	156.07
270	Transit	504,520.10	142.27	569	Airport Construction	29,408.80	8.43
290	Library	791,117.98	225.31	610	Fleet Maintenance	93,360.36	26.78
291	Library 2010	435,168.19	124.87	615	Facility Maintenance	261,352.15	74.98
301	Capital Improvement	1,349,589.98	387.28	620	Technology & Communications	608,917.65	176.61
401	General Obligation Debt Service	11,314.29	3.24	625	Administrative Services	537,598.18	154.28
				630	Risk Management	1,416,174.44	406.40
Total						37,082,837.59	10,641.70 *

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.

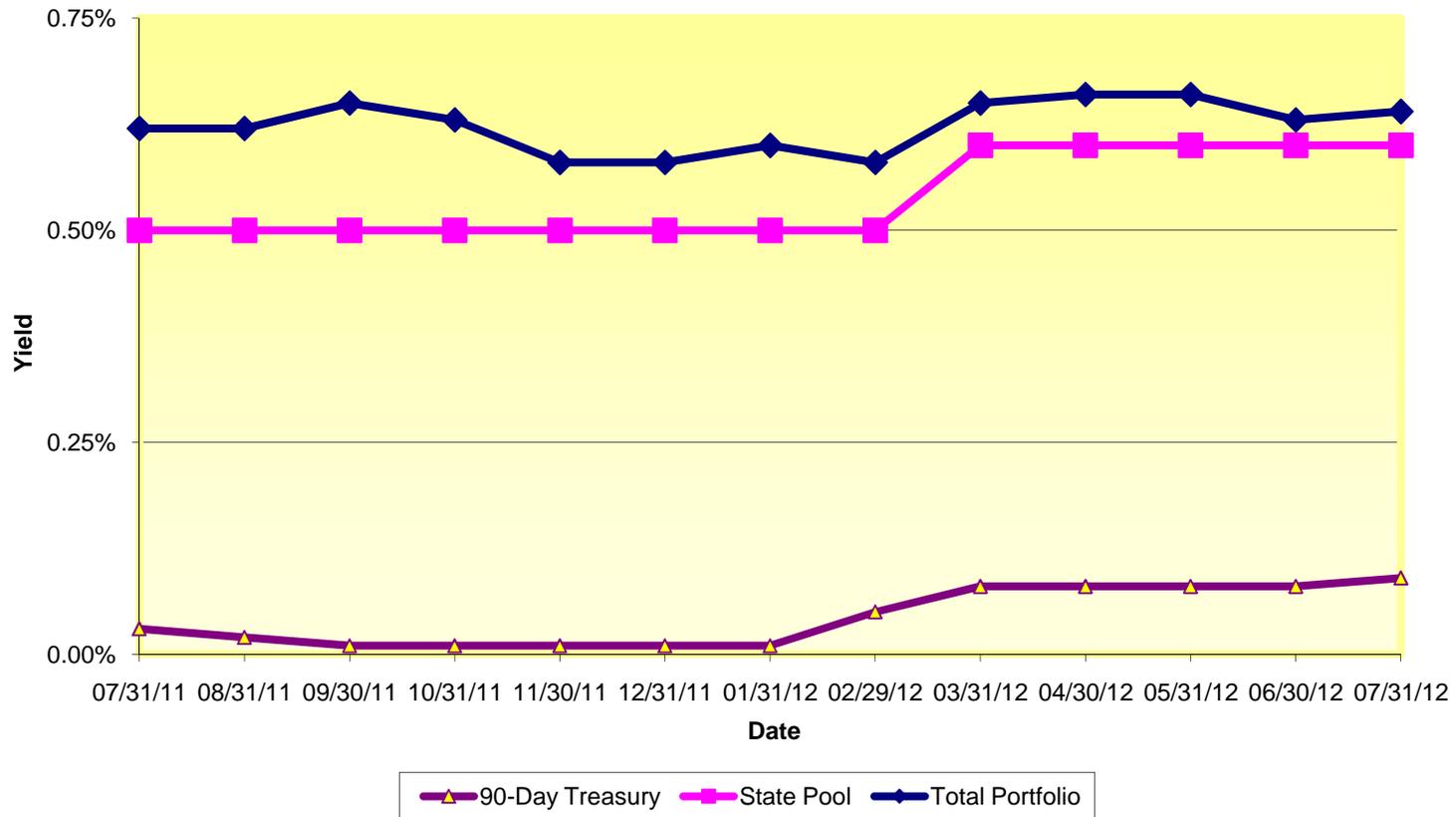
The distribution is based on the average cash balance for the period in which interest is earned.

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

* Due to a timing issue, an additional \$9,431.30 in July interest revenue will be distributed in August.

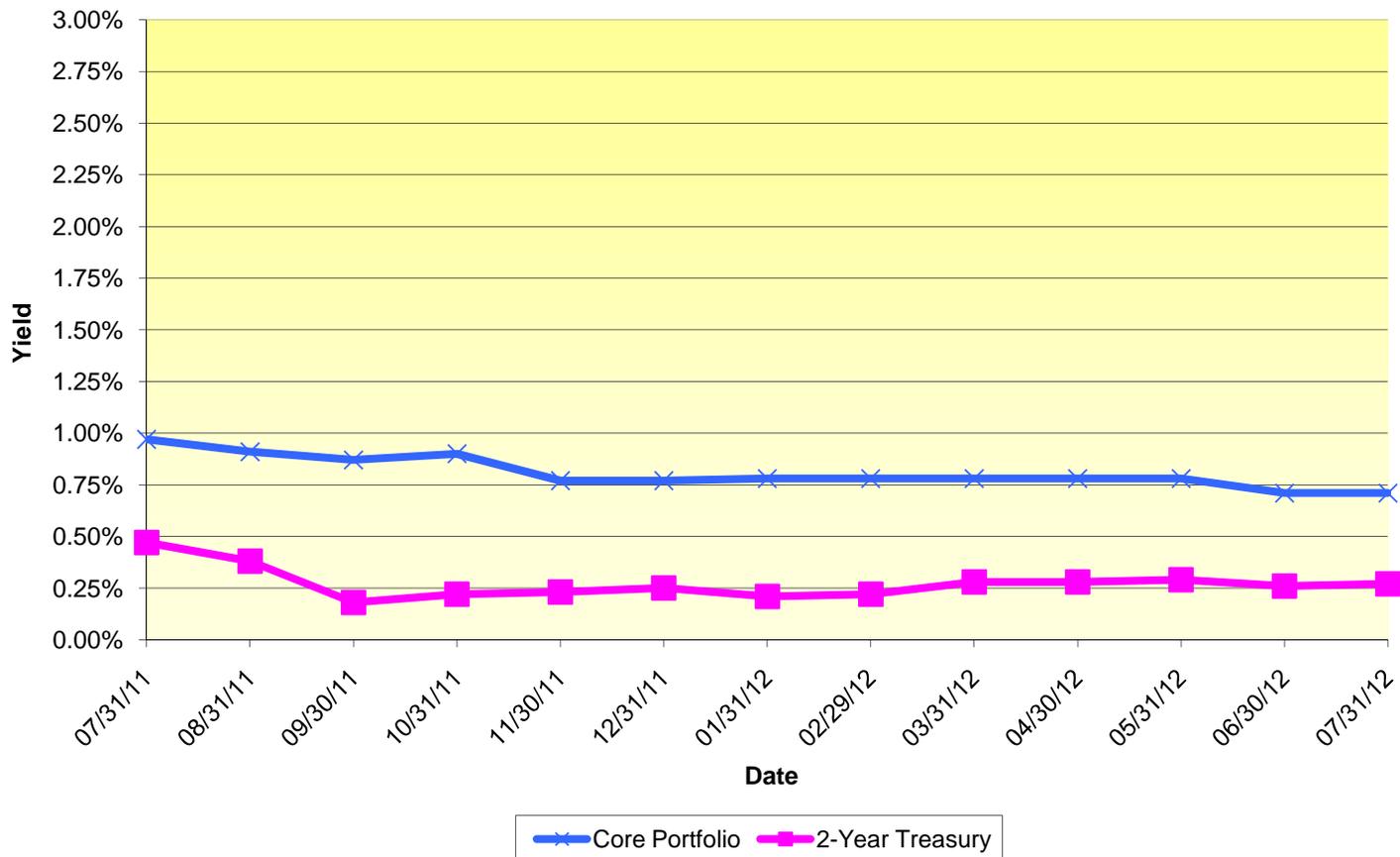


City of Corvallis Total Portfolio vs. Benchmark July 2011 - July 2012





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





City of Corvallis Cash & Investments

