

CITY OF CORVALLIS

Investment Council

Treasury Report

May 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

MAY 2012

Rates once again reached historically low levels during the month of May. The lower yields were a result of a flight to quality to U.S. Treasuries. The main catalyst for the flight to quality to U.S. Treasuries was due to the continued financial crisis in Europe. In addition to concern over Greece defaulting on its debt; weak housing numbers and poor unemployment figures also contributed to the worldwide interest in U.S. Treasuries. The month began with a disappointing labor report, again keeping additional Fed accommodation on the table. Non-farm payrolls in April rose 115,000, its weakest gain since October. A gain of 160,000 was expected. The unemployment rate fell .1% to 8.1%, its lowest level since January 2009. An unchanged reading was expected. While the household sector shed 169,000 jobs, the labor force contracted 342,000. This pushed the employment participation rate to 63.6% its lowest level since December 1981. Positively, 1.653 million jobs have been created in the past year but employment remains 4.962 million below its peak in January 2008. This was the seventh consecutive week that claims have been above 400,000. The bottom line is that jobs are still a major concern and until the employment situation improves, the Fed will remain accommodative.

THE FOMC

The minutes of the April 24-25 FOMC meeting indicated that policymakers did not significantly alter their economic assessments from the prior meeting (March 13). Policymakers generally assumed that in the near-to-medium term economic growth will remain moderate, although it will eventually accelerate. Furthermore, most participants expect inflation pressures to be “roughly balanced” under this growth scenario.

MAY ASSET CLASS PERFORMANCE*

May was the worst month in performance for the financial and commodity markets since September 2011. The main exceptions were U.S. Treasuries, in particular, TIPS which returned 1.7% in May.

TIPs (Barclays Treasury TIPS)	1.7%
U.S. Bonds (Barclays US Aggregate Bond)	0.9%
U.S. Dow Jones Industrial Average	-.621%
One-year Treasury note index	.021%
Current Treasury 2-year note	.014%

*Source: Bloomberg

CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER: (ABSOLUTE YIELD LEVELS)

	<u>03/31/12</u>	<u>04/30/12</u>	<u>05/31/12</u>	<u>Chg May</u>
3-month bill	0.07	0.09	0.07	-0.02
6-month bill	0.13	0.14	0.12	-0.02
2-year note	0.33	0.26	0.26	Unch
5-year note	1.04	0.81	0.66	-0.15
10-year note	2.21	1.92	1.56	-0.36

COMING UP:

- Greek elections
- FOMC meeting 6/20/12

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	\$23,053,351.62	60.00%	60.4%	0.40%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$15,116,020.00	40.00%	39.6%	-0.40%
Total			\$38,169,371.62			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	60%	Yes
Under 1 Year	> 25%	60%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.85	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	\$38,169,371.62	Yes
Federal Agency and Agency Sponsored	100%	40%	39.60%	\$15,116,020.00	5 Years	\$23,053,351.62	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	12.11%	\$4,623,778.13		\$4,918,564.78	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$3,816,937.16	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$3,816,937.16	Yes
State Obligations (OR,WA, AA or better)	10%	5%	0.00%	\$0.00	5 Years	\$3,816,937.16	Yes
State Pool	ORS Maximum or 100%		48.28%	\$18,429,573.49	N/A	\$26,044,590.51	Yes
Total			100.00%	\$38,169,371.62			

ORS Maximum \$44,474,164.00

Policy : August 2011

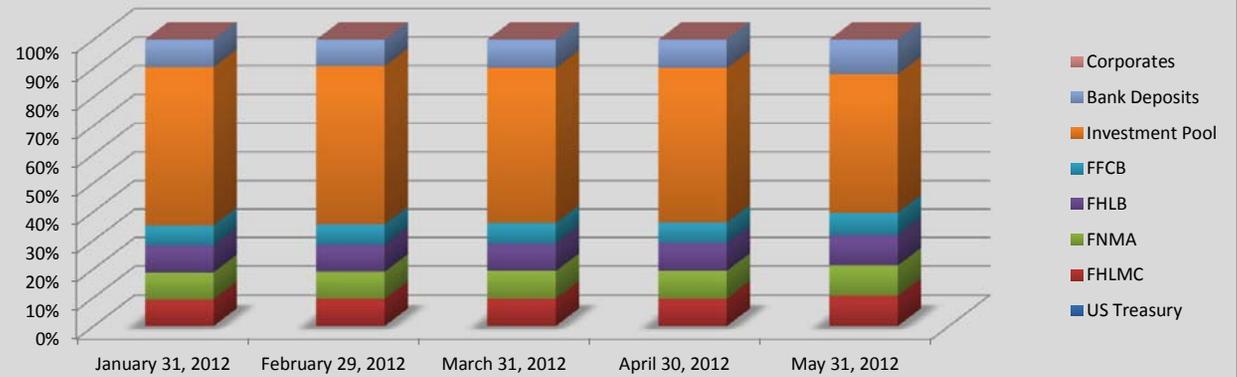
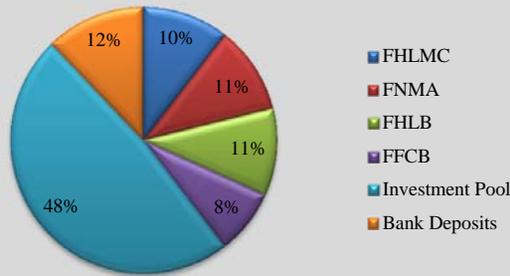
Total Asset Allocation Strategy
 (Market Values)

Commentary

The portfolio remains diversified between high quality GSE issues, Bank Deposits, and the State Pool.

Sector	Yield	January 31, 2012	February 29, 2012	March 31, 2012	April 30, 2012	May 31, 2012	Change From Last Month
US Treasury	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FHLMC	0.94%	\$4,006,854.00	\$4,006,752.00	\$4,005,392.00	\$4,003,822.00	\$4,002,160.00	(\$1,662.00)
FNMA	0.76%	\$4,069,336.00	\$4,063,162.00	\$4,059,598.00	\$4,067,760.00	\$4,067,260.00	(\$500.00)
FHLB	0.59%	\$4,050,786.00	\$4,054,692.00	\$4,052,226.00	\$4,046,009.00	\$4,043,873.00	(\$2,136.00)
FFCB	0.85%	\$3,006,486.00	\$2,998,506.00	\$2,992,665.00	\$3,003,354.00	\$3,002,727.00	(\$627.00)
Investment Pool	0.60%	\$23,809,613.74	\$23,526,034.78	\$22,712,714.38	\$22,579,197.07	\$18,429,573.49	(\$4,149,623.58)
Bank Deposits	0.48%	\$4,145,819.39	\$3,966,925.37	\$4,203,950.84	\$4,181,226.35	\$4,623,778.13	\$442,551.78
Corporates	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	0.78%	\$43,088,895.13	\$42,616,072.15	\$42,026,546.22	\$41,881,368.42	\$38,169,371.62	(\$3,711,996.80)

Current Sector Allocation





DETAIL AMORTIZATION COST RETURN
CITY OF CORVALLIS TOTAL
 From 04-30-12 to 05-31-12

CURRENT HOLDINGS	Interest Earned	Accretion (Amortization)	Realized Gain/Loss	Total Income
AGENCY BULLET	6,673.61	-3,156.20	0.00	3,517.41
AGENCY CALLABLE	6,320.56	224.53	0.00	6,545.09
CASH & EQUIVALENTS	2,027.59	0.00	0.00	2,027.59
OR STATE POOL	11,278.87	0.00	0.00	11,278.87
TOTAL	26,300.63	-2,931.67	0.00	23,368.96

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

	Total Portfolio
Interest Earned	26,300.63
Accretion/Amortization	-2,931.67
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	23,368.96
Average Daily Historical Cost	41,796,036.29
Return	0.06%
Annualized Return	0.66%
Annualized Return Net of Fees	0.66%
Weighted Duration to Maturity in Years	0.84
Weighted Days to Maturity	311



**CITY OF CORVALLIS TOTAL
PORTFOLIO HOLDINGS**

May 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	101.21	0.71	101.73	0.24	1,017,260.00	8,333.33	1,025,593.33	5,110.79	2.7	1.04	1.04
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.51	0.55	100.89	0.31	3,026,613.00	11,229.17	3,037,842.17	11,429.68	7.9	1.56	1.56
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	102.73	0.81	103.28	0.65	2,065,606.00	3,159.72	2,068,765.72	11,004.77	5.4	3.31	3.31
	6,000,000					0.66		0.41	6,109,479.00	22,722.22	6,132,201.22	27,545.25	16.0	2.07	2.07
AGENCY CALLABLE															
3134G2SL7	2,000,000	FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13	08-08-12	08-03-11	100.02	0.57	100.05	0.59	2,000,908.00	3,923.61	2,004,831.61	536.42	5.2	1.18	0.19
3135G0DF7	2,000,000	FEDERAL NATL MTG ASSN 0.700% Due 09-19-14	09-19-12	09-12-11	100.00	0.70	100.08	0.66	2,001,654.00	2,800.00	2,004,454.00	1,654.00	5.2	2.28	0.30
31331KT91	3,000,000	FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14	11-21-12	11-21-11	99.71	0.85	100.09	0.69	3,002,727.00	608.33	3,003,335.33	11,397.22	7.9	2.45	0.47
3134G2PM8	2,000,000	FEDERAL HOME LN MTG CORP 1.250% Due 12-29-14	06-29-12	06-28-11	99.85	1.31	100.06	1.22	2,001,252.00	10,555.56	2,011,807.56	4,198.08	5.2	2.52	0.08
	9,000,000					0.86		0.78	9,006,541.00	17,887.50	9,024,428.50	17,785.71	23.6	2.14	0.28
CASH & EQUIVALENTS															
CASH	10,582	CASH 0.220% Due 06-01-12		03-31-12	1.00	0.22	1.00	0.22	10,582.00	0.00	10,582.00	0.00	0.0	0.00	0.00
CBANK	192,354	Corvallis B of A 0.200% Due 06-01-12		05-31-12	1.00	0.20	1.00	0.20	192,354.35	0.00	192,354.35	0.00	0.5	0.00	0.00
CBANK2	3,285,465	Corvallis Umpqua Bank 0.650% Due 06-01-12		05-31-12	1.00	0.65	1.00	0.65	3,285,465.19	0.00	3,285,465.19	0.00	8.6	0.00	0.00
CBANK3	1,135,377	Corvallis Wells Fargo 0.250% Due 06-01-12		05-31-12	1.00	0.25	1.00	0.25	1,135,376.59	0.00	1,135,376.59	0.00	3.0	0.00	0.00
	4,623,778					0.53		0.53	4,623,778.13	0.00	4,623,778.13	0.00	12.1	0.00	0.00
OR STATE POOL															
ORPOOL	18,429,573	OREGON STATE POOL 0.600% Due 06-01-12		12-31-11	1.00	0.60	1.00	0.60	18,429,573.49	0.00	18,429,573.49	0.00	48.3	0.00	0.00
TOTAL	38,053,352					0.66		0.60	38,169,371.62	40,609.72	38,209,981.34	45,330.96	100.0	0.84	0.40

*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 05-01-12 To 05-31-12

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
Buy long							
05-31-12	05-31-12	CBANK	192,354	Corvallis B of A 0.200% Due 06-01-12		192,354.35	
05-31-12	05-31-12	CBANK3	1,135,377	Corvallis Wells Fargo 0.250% Due 06-01-12		1,135,376.59	
05-31-12	05-31-12	CBANK2	3,285,465	Corvallis Umpqua Bank 0.650% Due 06-01-12		3,285,465.19	
						4,613,196.13	
Deposit							
05-31-12	05-31-12	manfee		Management Fee * *		1,500.00	
Interest							
05-21-12	05-21-12	31331KT91		FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14	11-21-12	10,950.00	
05-31-12	05-31-12	CBANK		Corvallis B of A 0.200% Due 06-01-12		19.27	
05-31-12	05-31-12	ORPOOL		OREGON STATE POOL 0.600% Due 06-01-12		11,278.87	
05-31-12	05-31-12	CBANK2		Corvallis Umpqua Bank 0.650% Due 06-01-12		1,812.76	
05-31-12	05-31-12	CBANK3		Corvallis Wells Fargo 0.250% Due 06-01-12		195.56	
						24,256.46	
Deliver out long							
05-21-12		cash		Cash Account		10,950.00	
Sell long							
05-31-12	05-31-12	CBANK	129,577	Corvallis B of A 0.200% Due 06-01-12		129,577.49	
05-31-12	05-31-12	CBANK3	757,414	Corvallis Wells Fargo 0.250% Due 06-01-12		757,414.43	
05-31-12	05-31-12	ORPOOL	4,149,624	OREGON STATE POOL 0.600% Due 06-01-12		4,149,623.58	



CITY OF CORVALLIS TOTAL TRANSACTION SUMMARY

From 05-01-12 To 05-31-12

<u>Trade Date</u>	<u>Settle Date</u>	<u>Cusip</u>	<u>Quantity</u>	<u>Security</u>	<u>Call Date</u>	<u>Amount</u>	<u>Broker</u>
05-31-12	05-31-12	CBANK2	3,283,652	Corvallis Umpqua Bank 0.650% Due 06-01-12		3,283,652.43	
						<hr/> 8,320,267.93	

AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
 May 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	-5,962.77	-5,962.77	-54,601.23	2,054,601.23
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	-4,010.64	-5,039.68	-15,183.32	3,015,183.32
FEDERAL HOME LN BKS 1.875% Due 06-21-13 (3133XXYX9)									
1,000,000	1	05-11-11	102.429	1,024,290.00	-979.08	-4,794.24	-12,140.79	-12,149.21	1,012,149.21
Total				4,044,513.00	-1,797.04	-8,804.88	-17,180.48	-27,332.52	4,027,332.52
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	1,456.16	1,829.78	8,670.22	2,991,329.78
FHLMC CALLABLE(Straight Line)									
FEDERAL HOME LN MTG CORP 1.250% Due 12-29-14 (3134G2PM8)									
2,000,000	1	06-28-11	99.800	1,996,000.00	96.95	475.36	1,053.92	2,946.08	1,997,053.92
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	-830.60	-1,628.42	-371.58	2,000,371.58
Total				3,998,000.00	-72.45	-355.24	-574.49	2,574.49	3,997,425.51
CASH(Straight Line)									
CASH 0.220% Due 06-01-12 (CASH)									
10,582	4	03-31-12	1.000	10,582.00	0.00	0.00	0.00	0.00	10,582.00
Corvallis B of A 0.200% Due 06-01-12 (CBANK)									
192,354	7	05-31-12	1.000	192,354.35	0.00	0.00	0.00	0.00	192,354.35
Corvallis Umpqua Bank 0.650% Due 06-01-12 (CBANK2)									

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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.

AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
 May 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
3,285,465	13	05-31-12	1.000	3,285,465.19	0.00	0.00	0.00	0.00	3,285,465.19
Corvallis Wells Fargo		0.250% Due 06-01-12 (CBANK3)							
1,135,377	2	05-31-12	1.000	1,135,376.59	0.00	0.00	0.00	0.00	1,135,376.59
Total				4,623,778.13	0.00	0.00	0.00	0.00	4,623,778.13
POOL(Straight Line)									
OREGON STATE POOL		0.600% Due 06-01-12 (ORPOOL)							
18,429,573	4	12-31-11	1.000	18,429,573.49	0.00	0.00	0.00	0.00	18,429,573.49
GRAND TOTAL				38,145,928.62	-2,931.67	-13,666.73	-21,887.96	-70,689.04	38,124,040.66

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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 04-30-12 To 05-31-12

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	6,718.75	0.00	0.00	0.00	1,614.58	8,333.33
313371UC8	FEDERAL HOME LN BKS 0.875% Due 12-27-13	8,968.75	0.00	0.00	0.00	2,260.42	11,229.17
		<u>15,687.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,875.00</u>	<u>19,562.50</u>
FNMA							
31398A4M1	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15	361.11	0.00	0.00	0.00	2,798.61	3,159.72
		<u>361.11</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,798.61</u>	<u>3,159.72</u>
	AGENCY BULLET Total	16,048.61	0.00	0.00	0.00	6,673.61	22,722.22
AGENCY CALLABLE							
FNMA							
3135G0DF7	FEDERAL NATL MTG ASSN 0.700% Due 09-19-14	1,594.44	0.00	0.00	0.00	1,205.56	2,800.00
		<u>1,594.44</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,205.56</u>	<u>2,800.00</u>
FHLMC							
3134G2SL7	FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13	2,847.22	0.00	0.00	0.00	1,076.39	3,923.61
3134G2PM8	FEDERAL HOME LN MTG CORP 1.250% Due 12-29-14	8,402.78	0.00	0.00	0.00	2,152.78	10,555.56
		<u>11,250.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,229.17</u>	<u>14,479.17</u>



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 04-30-12 To 05-31-12

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	9,672.50	0.00	0.00	-10,950.00	1,885.83	608.33
		9,672.50	0.00	0.00	-10,950.00	1,885.83	608.33
	AGENCY CALLABLE Total	22,516.94	0.00	0.00	-10,950.00	6,320.56	17,887.50
	AGENCY Total	38,565.56	0.00	0.00	-10,950.00	12,994.17	40,609.72
CASH							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.220% Due 06-01-12	0.00	0.00	0.00	0.00	0.00	0.00
CBANK3	Corvallis Wells Fargo 0.250% Due 06-01-12	0.00	0.00	0.00	-195.56	195.56	0.00
		0.00	0.00	0.00	-195.56	195.56	0.00
BANK DEPOSITS							
CBANK	Corvallis B of A 0.200% Due 06-01-12	0.00	0.00	0.00	-19.27	19.27	0.00
CBANK2	Corvallis Umpqua Bank 0.650% Due 06-01-12	0.00	0.00	0.00	-1,812.76	1,812.76	0.00
		0.00	0.00	0.00	-1,832.03	1,832.03	0.00
	CASH & EQUIVALENTS Total	0.00	0.00	0.00	-2,027.59	2,027.59	0.00
OR STATE POOL							
STATE INVESTMENT POOL							
ORPOOL	OREGON STATE POOL 0.600% Due 06-01-12	0.00	0.00	0.00	-11,278.87	11,278.87	0.00
		0.00	0.00	0.00	-11,278.87	11,278.87	0.00



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
From 04-30-12 To 05-31-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
OR STATE POOL Total		0.00	0.00	0.00	-11,278.87	11,278.87	0.00
CASH Total		0.00	0.00	0.00	-13,306.46	13,306.46	0.00
TOTAL PORTFOLIO		38,565.56	0.00	0.00	-24,256.46	26,300.63	40,609.72

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
May 2012

	Receipts (1)	Disbursements (2)	Net
Actual Activity	6,490,282	9,368,559	(2,878,277)
Projected Activity	5,338,633	10,825,824	(5,487,191)
Difference	1,151,649	(1,457,265)	2,608,914

(1) Receipts include deposits and interest received.

Receipts are greater than budget mostly in the areas of State Grants and Charges for Service. A grant reimbursement from Oregon Department of Transportation (ODOT) related to the 9th Street reconstruction project was received in May, while Systems Development Charges received were also significantly higher than budgeted cash flows.

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

Disbursements continue to be lower than budget in the areas of Salaries & Wages and General Services. The City continues to see a cost savings due to the number of vacancies it holds, while the postponing of several capital improvement projects continue to keep General Services less than budgeted cash flow.

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 May 2012

Fund	Fund Name	Month's Avg Cash Balance	Interest Distributed	Fund	Fund Name	Month's Avg Cash Balance	Interest Distributed
101	General	2,116,636.63	1,167.88	460	Davidson Library	5,943.65	3.21
201	Street	972,321.36	509.98	501	Water	1,115,639.49	611.41
208	Street SDC	1,990,789.72	1,074.17	502	Water Timber	289,897.16	157.36
210	Parks & Recreation	1,654,357.88	922.21	508	Water SDC	4,504,623.80	2,437.30
211	Parks & Recreation - Aquatics	195,629.78	112.12	509	Water Construction	164,282.04	99.89
212	Open Space	94,256.03	51.15	520	Wastewater	3,801,600.99	2,084.05
218	Parks SDC	1,984,875.13	1,061.50	528	Wastewater SDC	7,618,663.06	123.89
220	911	698,756.66	379.76	529	Wastewater Construction	223,237.39	4,114.73
230	Development Services	1,260,080.98	704.59	540	Storm Water	1,694,055.02	916.50
240	Fire & Rescue	1,599,056.92	969.68	548	Storm Water SDC	61,683.88	33.24
250	Comm Dev Revolving	26,242.06	21.03	549	Storm Water Construction	(64,459.18)	(16.96)
260	Parking	1,055,292.63	572.45	560	Airport	511,345.74	277.23
270	Transit	557,903.77	279.77	569	Airport Construction	29,408.80	15.97
290	Library	1,770,852.66	1,029.90	610	Fleet Maintenance	43,109.72	28.85
291	Library 2010	434,009.02	235.68	615	Facility Maintenance	281,028.79	149.13
301	Capital Improvement	1,165,840.36	590.41	620	Technology & Communications	757,500.07	407.75
401	General Obligation Debt Service	1,863,087.24	1,018.73	625	Administrative Services	595,997.67	323.23
				630	Risk Management	853,523.21	481.43
Total						41,927,070.12	22,949.22

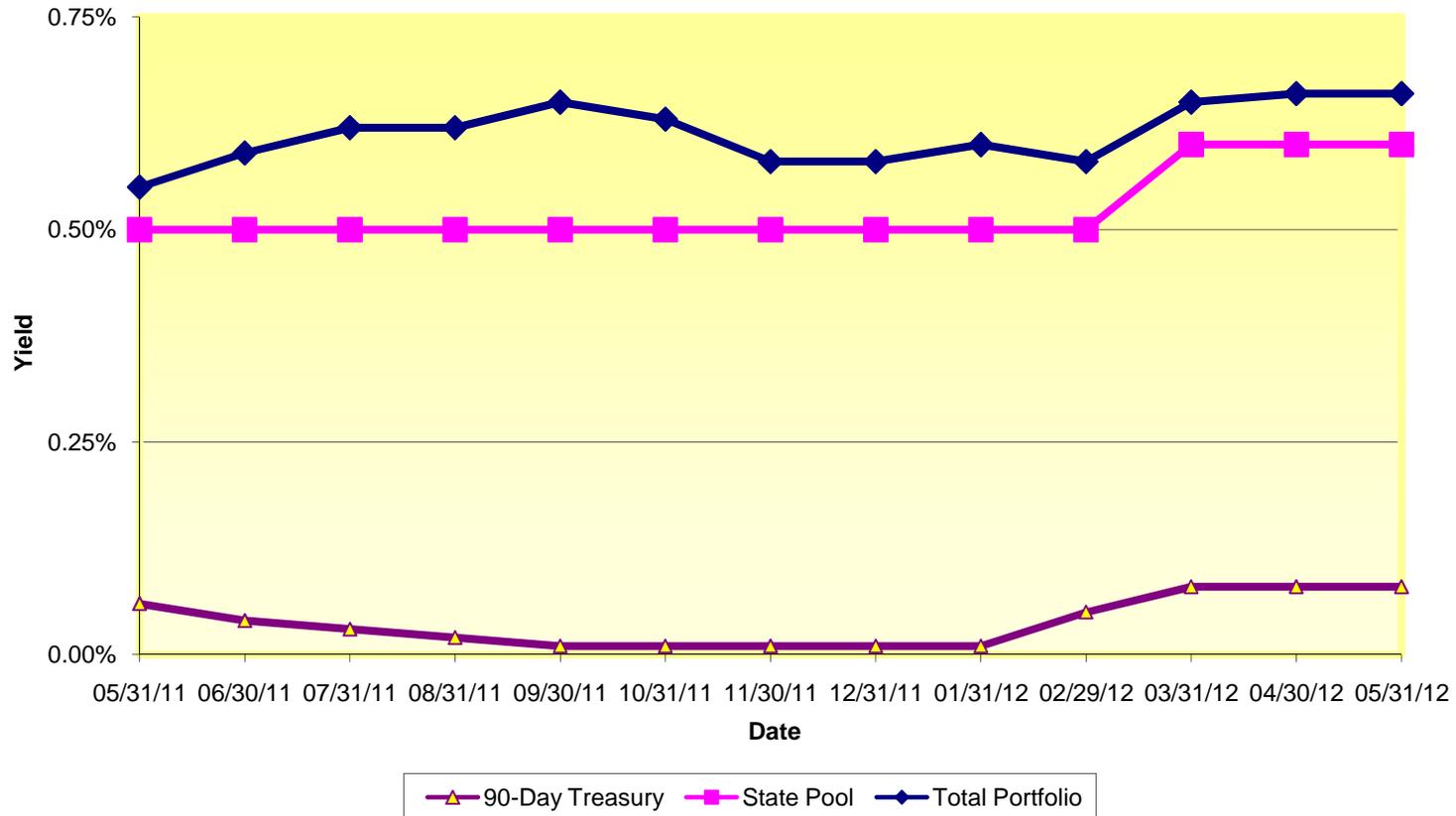
Accrual accounting on investments was implemented in August 2011. The interest distributed will equal the monthly interest income accrual, net of any amortization or accretion on a premium/discount paid on an investment; this is also net of the previous fiscal year's GASB 31 Fair Value Adjustment reversal.

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.

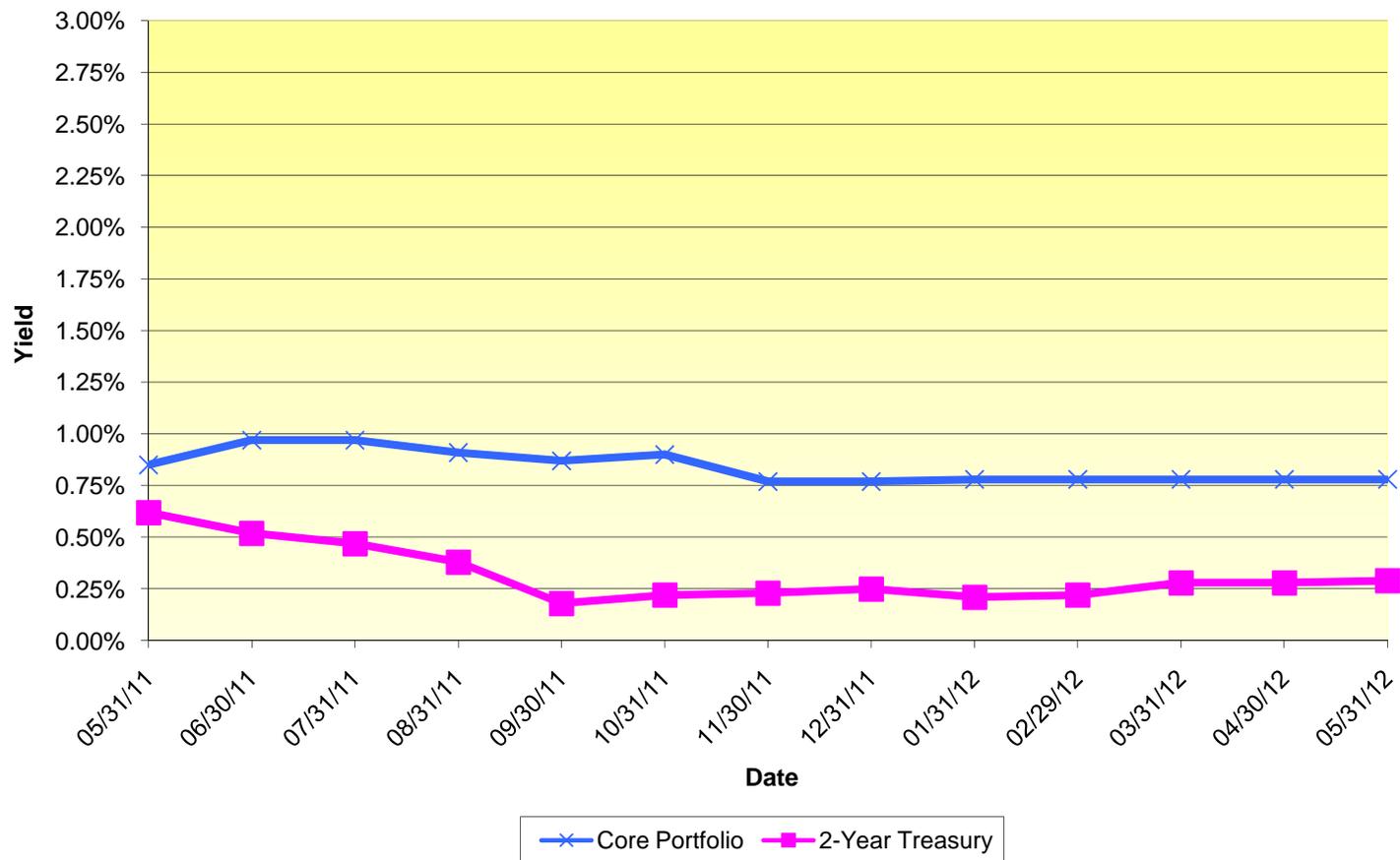


City of Corvallis Total Portfolio vs. Benchmark May 2011 - May 2012





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





City of Corvallis Cash & Investments

