

CITY OF CORVALLIS

Investment Council

Treasury Report

August 2013

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

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MONTHLY MARKET COMMENTARY



AUGUST 2013

Bond yields continued to move higher as the financial markets prepare for an expected tapering of security purchases by the Fed in September. For example, the yield on the two-year Treasury note has more than doubled from .20% on 5/1st to .40% on 8/30th. The biggest question mark remaining is, has the expected tapering been priced into the market, or not? The following are the returns on U.S. Treasuries over the last twelve months:

Treasury Yield Curve Total Returns Over The Last 12 Months:

Maturity	Total Return (trailing 12 months)
3-Month Bill	0.105
1-Year Note	0.255
2-Year Note	0.104
3-Year Note	-0.495
5-Year Note	-3.83

Source: Bloomberg

Non-farm Payrolls/Unemployment Report:

Non-farm payrolls in July rose 162,000. A gain of 185,000 was expected. Revisions to the previous two months subtracted 26,000 workers. Unemployment in July fell to 7.4%.

The Fed:

Pimco's Mohamed El-Erian said it is "almost a given" that the Fed will start tapering this year even though there won't be enough economic growth to justify it. "The reason they'd be doing it is because they're starting to get more and more worried about what Mr. Bernanke has called 'the cost and risk of prolonged unconventional and experimental monetary policy.'"

Other Economic Data:

- Retail Sales rose .2% after rising .6% (previously +.4%) in June and increasing .5% in May (previously +.2%).
- August Consumer Confidence rose .5 points to 81.5 from an upwardly revised 81.0 in July (previously 80.3). The recent Consumer Confidence readings have been the highest since January 2008.
- The Leading Economic Index increased by .6% in July, which was the largest monthly gain in three months. Eight out of ten components made positive contributions to the index.

CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER:

	<u>06/30/13</u>	<u>07/31/13</u>	<u>08/31/13</u>	<u>Change August</u>
3-month bill	0.03	0.04	0.02	-0.02
6-month bill	0.09	0.07	0.05	-0.02
2-year note	0.36	0.31	0.40	+0.09
3-year note	0.65	0.59	0.78	+0.19
5-year note	1.40	1.38	1.64	+0.26
10-year note	2.49	2.58	2.78	+0.20
30-year bond	3.50	3.64	3.70	+0.06

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	\$22,293,431.33	60.00%	62.3%	2.27%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$13,505,056.00	40.00%	37.7%	-2.27%
Total			\$35,798,487.33			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	62%	Yes
Under 1 Year	> 25%	71%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.84	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	\$35,798,487.33	Yes
Federal Agency and Agency Sponsored	100%	40%	33.54%	\$12,007,841.00	5 Years	\$23,790,646.33	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	8.98%	\$3,216,044.83		\$5,733,577.00	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$3,579,848.73	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$3,579,848.73	Yes
Municipal Obligations (OR, WA, AA or better)	10%	5%	1.39%	\$497,215.00	5 Years	\$3,082,633.73	Yes
State Pool	ORS Maximum or 100%		56.08%	\$20,077,386.50	N/A	\$25,328,056.50	Yes
Total			100.00%	\$35,798,487.33			

ORS Maximum \$45,405,443.00

***Investment Policy Note:** Section 5.03.102 states "Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need to be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained."

Policy : August 2012

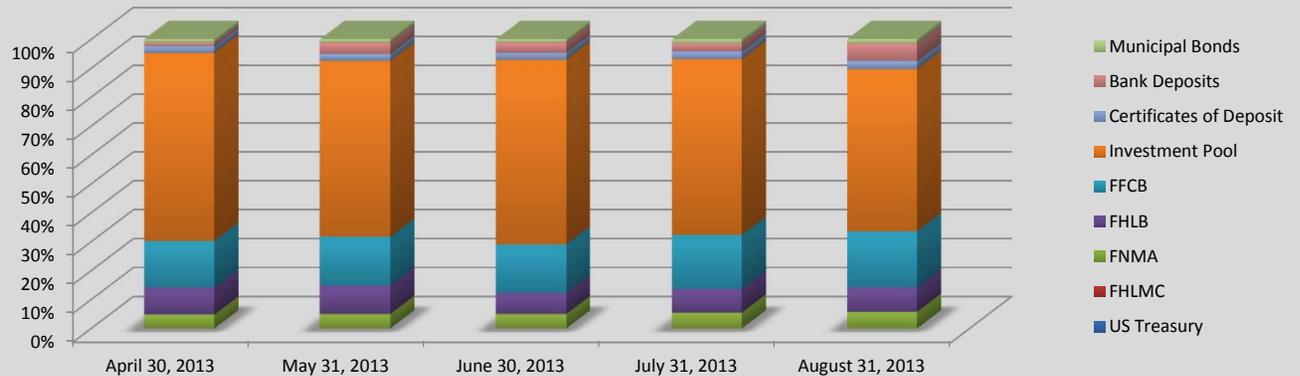
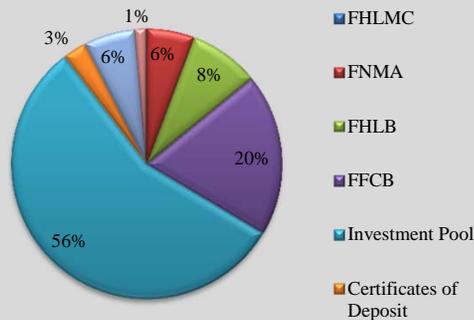
Total Asset Allocation Strategy
(Market Values)

Commentary

The market values of securities in the core portfolio declined this month as interest rates rose. However, the core component continues to add value over the LGIP and bank deposits. There were no transactions in the investment portfolio this month. The LGIP balance declined by \$2.5MM and the bank deposit balance increased by \$1.1MM.

Sector	Yield	April 30, 2013	May 31, 2013	June 30, 2013	July 31, 2013	August 31, 2013	Change From Last Month
US Treasury	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FHLMC	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FNMA	0.81%	\$2,062,652.00	\$2,056,712.00	\$2,049,582.00	\$2,050,630.00	\$2,047,312.00	(\$3,318.00)
FHLB	0.55%	\$4,016,924.00	\$4,012,957.00	\$3,010,629.00	\$3,009,546.00	\$3,007,548.00	(\$1,998.00)
FFCB	0.65%	\$7,021,324.00	\$6,994,583.00	\$6,954,294.00	\$6,976,659.00	\$6,952,981.00	(\$23,678.00)
Investment Pool	0.54%	\$28,167,594.11	\$25,161,070.16	\$26,368,235.46	\$22,596,960.43	\$20,077,386.50	(\$2,519,573.93)
Certificates of Deposit	1.00%	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$0.00
Bank Deposits	0.25%	\$530,441.47	\$1,578,209.02	\$1,427,385.49	\$1,075,386.13	\$2,216,044.83	\$1,140,658.70
Municipal Bonds	0.88%	\$504,100.00	\$501,885.00	\$499,220.00	\$499,240.00	\$497,215.00	(\$2,025.00)
Total	0.69%	\$43,303,035.58	\$39,382,740.46	\$41,309,345.95	\$37,208,421.56	\$35,798,487.33	(\$1,409,934.23)

Current Sector Allocation





DETAIL AMORTIZATION COST RETURN
CITY OF CORVALLIS TOTAL
 From 07-31-13 to 08-31-13

CURRENT HOLDINGS	Interest Earned	Accretion (Amortization)	Realized Gain/Loss	Total Income
AGENCY BULLET	6,145.83	-2,175.36	0.00	3,970.47
AGENCY CALLABLE	2,508.33	144.81	0.00	2,653.14
MUNICIPALS	367.08	-1.91	0.00	365.18
CASH & EQUIVALENTS	364.86	0.00	0.00	364.86
CERTIFICATE OF DEPOSITS	1,702.22	0.00	0.00	1,702.22
OR STATE POOL	9,674.69	0.00	0.00	9,674.69
TOTAL	20,763.02	-2,032.46	0.00	18,730.55

SUMMARY OF AMORTIZED COST BASIS
RETURN FOR THE PERIOD
CITY OF CORVALLIS TOTAL
 July 31, 2013 to August 31, 2013

	Total Portfolio
Interest Earned	20,763.02
Accretion/Amortization	-2,032.46
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	18,730.55
Average Daily Historical Cost	37,189,915.21
Return	0.05%
Annualized Return	0.59%
Annualized Return Net of Fees	0.59%
Weighted Duration to Maturity in Years	0.83
Weighted Days to Maturity	305



**CITY OF CORVALLIS TOTAL
 PORTFOLIO HOLDINGS**

August 31, 2013

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															
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.10	0.55	100.25	0.09	3,007,548.00	4,666.67	3,012,214.67	4,443.37	8.4	0.32	0.32
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	101.73	0.81	102.37	0.52	2,047,312.00	11,284.72	2,058,596.72	12,774.71	5.7	2.11	2.11
3133EAUH9	2,000,000	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16		06-26-12	99.99	0.75	99.95	0.77	1,998,946.00	3,208.33	2,002,154.33	-800.86	5.6	2.75	2.75
	7,000,000					0.68		0.41	7,053,806.00	19,159.72	7,072,965.72	16,417.22	19.7	1.53	1.53
AGENCY CALLABLE															
3133EC3F9	3,000,000	FEDERAL FARM CR BKS CONS Cont. 0.550% Due 08-26-16	Call	11-15-12	99.89	0.59	99.13	0.85	2,973,789.00	229.17	2,974,018.17	-22,986.53	8.3	2.96	2.96
3133EA2D9	2,000,000	FEDERAL FARM CR BKS CONS Cont. 0.680% Due 09-26-16	Call	09-19-12	99.90	0.71	99.01	1.01	1,980,246.00	5,855.56	1,986,101.56	-17,836.19	5.5	3.02	3.02
	5,000,000					0.64		0.91	4,954,035.00	6,084.72	4,960,119.72	-40,822.73	13.8	2.98	2.98
CASH & EQUIVALENTS															
CASH	9,590	CASH 0.100% Due 09-01-13		11-30-12	1.00	0.10	1.00	0.10	9,590.00	0.00	9,590.00	0.00	0.0	0.00	0.00
CBANK3	2,206,455	Corvallis Wells Fargo 0.250% Due 09-01-13		08-31-13	1.00	0.25	1.00	0.25	2,206,454.83	0.00	2,206,454.83	0.00	6.2	0.00	0.00
	2,216,045					0.25		0.25	2,216,044.83	0.00	2,216,044.83	0.00	6.2	0.00	0.00
CERTIFICATE OF DEPOSITS															
CORV001CD	1,000,000	OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16		04-19-13	100.00	1.00	100.00	0.99	1,000,000.00	3,703.61	1,003,703.61	0.00	2.8	2.57	2.57
MUNICIPALS															
731418KU2	500,000	POLK MARION & BENTON SD 0.881% Due 06-15-16		02-01-13	100.01	0.88	99.44	1.08	497,215.00	929.94	498,144.94	-2,847.69	1.4	2.74	2.74
OR STATE POOL															
ORPOOL	1,000,000	OREGON STATE POOL 0.540% Due 09-01-13		06-21-13	1.00	0.54	1.00	0.54	1,000,000.00	0.00	1,000,000.00	0.00	2.8	0.00	0.00
ORPOOL	19,077,387	OREGON STATE POOL 0.540% Due 09-01-13		06-30-13	1.00	0.54	1.00	0.54	19,077,386.50	0.00	19,077,386.50	0.00	53.3	0.00	0.00
	20,077,387					0.54		0.54	20,077,386.50	0.00	20,077,386.50	0.00	56.1	0.00	0.00
TOTAL	35,793,431					0.58		0.57	35,798,487.33	29,878.00	35,828,365.33	-27,253.20	100.0	0.83	0.83

*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 08-01-13 To 08-31-13

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
Buy long							
08-31-13	08-31-13	CBANK3	2,206,455	Corvallis Wells Fargo 0.250% Due 09-01-13		2,206,454.83	
Deposit							
08-31-13	08-31-13	manfee		Management Fee **		1,500.00	
Interest							
08-19-13	08-19-13	CORV001CD		OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16		845.41	
08-26-13	08-26-13	3133EC3F9		FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16		8,250.00	
08-31-13	08-31-13	ORPOOL		OREGON STATE POOL 0.540% Due 09-01-13		443.84	
08-31-13	08-31-13	CBANK3		Corvallis Wells Fargo 0.250% Due 09-01-13		364.86	
08-31-13	08-31-13	ORPOOL		OREGON STATE POOL 0.540% Due 09-01-13		9,230.85	
						19,134.96	
Deliver out long							
08-26-13		cash		Cash Account		8,250.00	
Sell long							
08-31-13	08-31-13	CBANK3	1,065,746	Corvallis Wells Fargo 0.250% Due 09-01-13		1,065,746.13	
08-31-13	08-31-13	CASH	50	CASH 0.100% Due 09-01-13		50.00	
08-31-13	08-31-13	ORPOOL	2,519,574	OREGON STATE POOL 0.540% Due 09-01-13		2,519,573.93	
						3,585,370.06	

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

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AMORTIZATION AND ACCRETION - SETTLED TRADES
CITY OF CORVALLIS TOTAL
 August 31, 2013

Purchase Information					Amortization/Accretion Information				
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
MUNICIPAL BONDS(Straight Line)									
POLK MARION & BENTON SD 0.881% Due 06-15-16 (731418KU2)									
500,000	1	02-01-13	100.015	500,075.00	-1.91	-12.31	-12.31	-62.69	500,062.69
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	-1,362.89	-10,681.34	-26,026.71	-34,537.29	2,034,537.29
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	-820.20	-6,429.31	-17,118.37	-3,104.63	3,003,104.63
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	60.53	106.86	253.14	1,999,746.86
FFCB CALLABLE(Straight Line)									
FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16 (3133EA2D9)									
2,000,000	1	09-19-12	99.875	1,997,500.00	53.08	416.10	582.19	1,917.81	1,998,082.19
FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16 (3133EC3F9)									
3,000,000	1	11-15-12	99.865	2,995,950.00	91.73	719.01	825.53	3,224.47	2,996,775.53
Total				4,993,450.00	144.81	1,135.11	1,407.73	5,142.27	4,994,857.73
CERTIFICATES OF DEPOSIT(Unadjusted)									
OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16 (CORV001CD)									
1,000,000	1	04-19-13	100.000	1,000,000.00	0.00	0.00	0.00	0.00	1,000,000.00
CASH(Straight Line)									
CASH 0.100% Due 09-01-13 (CASH)									
9,590	6	11-30-12	1.000	9,590.00	0.00	0.00	0.00	0.00	9,590.00
Corvallis Wells Fargo 0.250% Due 09-01-13 (CBANK3)									
2,206,455	10	08-31-13	1.000	2,206,454.83	0.00	0.00	0.00	0.00	2,206,454.83
Total				2,216,044.83	0.00	0.00	0.00	0.00	2,216,044.83

*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
 August 31, 2013

Purchase Information					Amortization/Accretion Information				
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
POOL(Straight Line)									
OREGON STATE POOL 0.540% Due 09-01-13 (ORPOOL)									
1,000,000	4	06-21-13	1.000	1,000,000.00	0.00	0.00	0.00	0.00	1,000,000.00
19,077,387	11	06-30-13	1.000	19,077,386.50	0.00	0.00	0.00	0.00	19,077,386.50
20,077,387				20,077,386.50	0.00	0.00	0.00	0.00	20,077,386.50
GRAND TOTAL				35,867,383.33	-2,032.46	-15,927.32	-41,642.80	-32,309.20	35,825,740.53

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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 07-31-13 To 08-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
MUNICIPALS							
MUNICIPALS							
731418KU2	MUNICIPAL GENERAL OBLIGATION POLK MARION & BENTON SD 0.881% Due 06-15-16	562.86	0.00	0.00	0.00	367.08	929.94
		<hr/> 562.86	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 367.08	<hr/> 929.94
	MUNICIPALS Total	<hr/> 562.86	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 367.08	<hr/> 929.94
	MUNICIPALS Total	<hr/> 562.86	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 367.08	<hr/> 929.94
AGENCY							
AGENCY BULLET							
313371UC8	FHLB 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
		<hr/> 2,479.17	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 2,187.50	<hr/> 4,666.67
31398A4M1	FNMA 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
		<hr/> 8,576.39	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 2,708.33	<hr/> 11,284.72
3133EAUH9	FFCB 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
		<hr/> 1,958.33	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 1,250.00	<hr/> 3,208.33
	AGENCY BULLET Total	<hr/> 13,013.89	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 6,145.83	<hr/> 19,159.72



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 07-31-13 To 08-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
AGENCY CALLABLE							
FFCB							
3133EC3F9	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	7,104.17	0.00	0.00	-8,250.00	1,375.00	229.17
3133EA2D9	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	4,722.22	0.00	0.00	0.00	1,133.33	5,855.56
		11,826.39	0.00	0.00	-8,250.00	2,508.33	6,084.72
AGENCY CALLABLE Total		11,826.39	0.00	0.00	-8,250.00	2,508.33	6,084.72
AGENCY Total		24,840.28	0.00	0.00	-8,250.00	8,654.17	25,244.44
CERTIFICATE OF DEPOSIT							
CERTIFICATE OF DEPOSITS							
CERTIFICATE OF DEPOSITS							
CORV001CD	OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16	2,846.81	0.00	0.00	-845.41	1,702.22	3,703.61
		2,846.81	0.00	0.00	-845.41	1,702.22	3,703.61
CERTIFICATE OF DEPOSIT Total		2,846.81	0.00	0.00	-845.41	1,702.22	3,703.61
CERTIFICATE OF DEPOSIT Total		2,846.81	0.00	0.00	-845.41	1,702.22	3,703.61
CASH							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.100% Due 09-01-13	0.00	0.00	0.00	0.00	0.00	0.00
CBANK3	Corvallis Wells Fargo 0.250% Due 09-01-13	0.00	0.00	0.00	-364.86	364.86	0.00
		0.00	0.00	0.00	-364.86	364.86	0.00



INTEREST ACCRUALS
CITY OF CORVALLIS TOTAL
 From 07-31-13 To 08-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
	CASH & EQUIVALENTS Total	0.00	0.00	0.00	-364.86	364.86	0.00
	OR STATE POOL						
	STATE INVESTMENT POOL						
ORPOOL	OREGON STATE POOL 0.540% Due 09-01-13	0.00	0.00	0.00	-9,674.69	9,674.69	0.00
		0.00	0.00	0.00	-9,674.69	9,674.69	0.00
	OR STATE POOL Total	0.00	0.00	0.00	-9,674.69	9,674.69	0.00
	CASH Total	0.00	0.00	0.00	-10,039.55	10,039.55	0.00
TOTAL PORTFOLIO		28,249.94	0.00	0.00	-19,134.96	20,763.02	29,878.00

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

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

* All agency securities are held with US Bank, the City's third-party safekeeper and OSU Federal Credit Union.

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 2013**

	Receipts (1)	Disbursements (2)	Net
Actual Activity	6,596,864	7,158,216	(561,352)
Average of Prior Three Years (3)	4,616,823	6,819,687	(2,202,864)
Difference	1,980,041	338,529	1,641,512

(1) Receipts represent all revenues recorded for the month, including any property taxes, fees, charges for service, interest earnings, grants, etc. Higher revenue in the current month compared to the prior years' average is partly due to increased Community Development department permit revenue from OSU building a Resident Student Hall. August 2013 also saw significantly higher grant receipts for federal grants related to Transit and capital projects than in the same time frame in prior years, and which may subsequently be accrued back to the prior year in September and effectively offset the above impact. Franchise fees came in nearly \$100,000 higher this month than in the same month of the previous two years, and late accruals three years ago served to lower the average for comparative purposes. Public Works metered revenue in the utility funds is also up across the board this August, compared with the three prior years, due to continued rate increases and a hot August in 2013.

(2) Disbursements include vendor payments, payroll costs, and all other operating expenditures made by check and wire or electronic transfer. Disbursements were higher this August than the average due partly to over \$430,000 in contract payments for the Coronado Park Acquisition and Improvements project.

(3) In previous years, the cash flow summary has been a comparison of actual activity to scheduled/budgeted cashflow. As of 13-14, monthly cashflowing has been discontinued for budget purposes due to technology and staffing resource issues. Instead, a three-year average is considered a good proxy for comparison to highlight changes in activity in the current year.

Note: 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 in either receipts or disbursements.

City of Corvallis
Monthly Revenue Allocations
Distributed in August 2013

Fund	Fund Name	Month's Avg Cash Balance *	Interest Distributed	Fund	Fund Name	* Month's Avg Cash Balance	Interest Distributed
101	General (2)	2,450,965.55	5,547.31	509	Water Construction (1)	18,392.25	3.46
201	Street	697,210.85	179.69	520	Wastewater	2,511,876.94	635.58
208	Street SDC	2,280,316.45	1,116.03	528	Wastewater SDC	9,817,274.98	4,759.39
218	Parks SDC	2,208,825.84	1,089.19	529	Wastewater Construction (1)	21,933.40	1.70
220	911	583,954.81	148.90	540	Storm Water	1,253,739.02	318.16
230	Development Services	1,686,341.69	429.17	548	Storm Water SDC	94,594.90	46.35
250	Comm Dev Revolving (3)	(384,516.89)	(160.67)	549	Storm Water Construction (1) (3)	(12,323.70)	(5.54)
260	Parking	1,019,997.76	261.03	560	Airport	580,268.24	288.24
270	Transit	1,752,456.31	451.54	569	Airport Construction (1)	1,994.28	0.96
301	Capital Improvement	848,632.78	219.33	610	Fleet Maintenance	86,253.83	22.16
401	General Obligation Debt Service (4)	(51,052.04)	(14.70)	615	Facility Maintenance	155,426.14	36.55
460	Davidson Library	5,508.97	2.73	620	Technology & Communications	563,387.95	143.67
501	Water	1,750,886.50	440.97	625	Administrative Services	323,169.54	72.45
502	Water Timber	562,095.72	143.25	630	Risk Management	977,859.97	218.26
508	Water SDC	5,427,934.06	2,595.79				
Total						37,233,406.09	18,990.95

* Monthly interest earnings accrued/acreted and market adjusted are allocated based on the average cash balance for the period in which interest is earned. Most investments earn interest over a 3 or 6 month period, so even if the most recent monthly average is positive, if prior months' cash balances in a given fund were negative, this could result in net negative earnings for that fund in the month interest is paid.

(1) Interest based on construction component fund cash balances for 509, 529, 549, & 569 is distributed to the related operations fund.

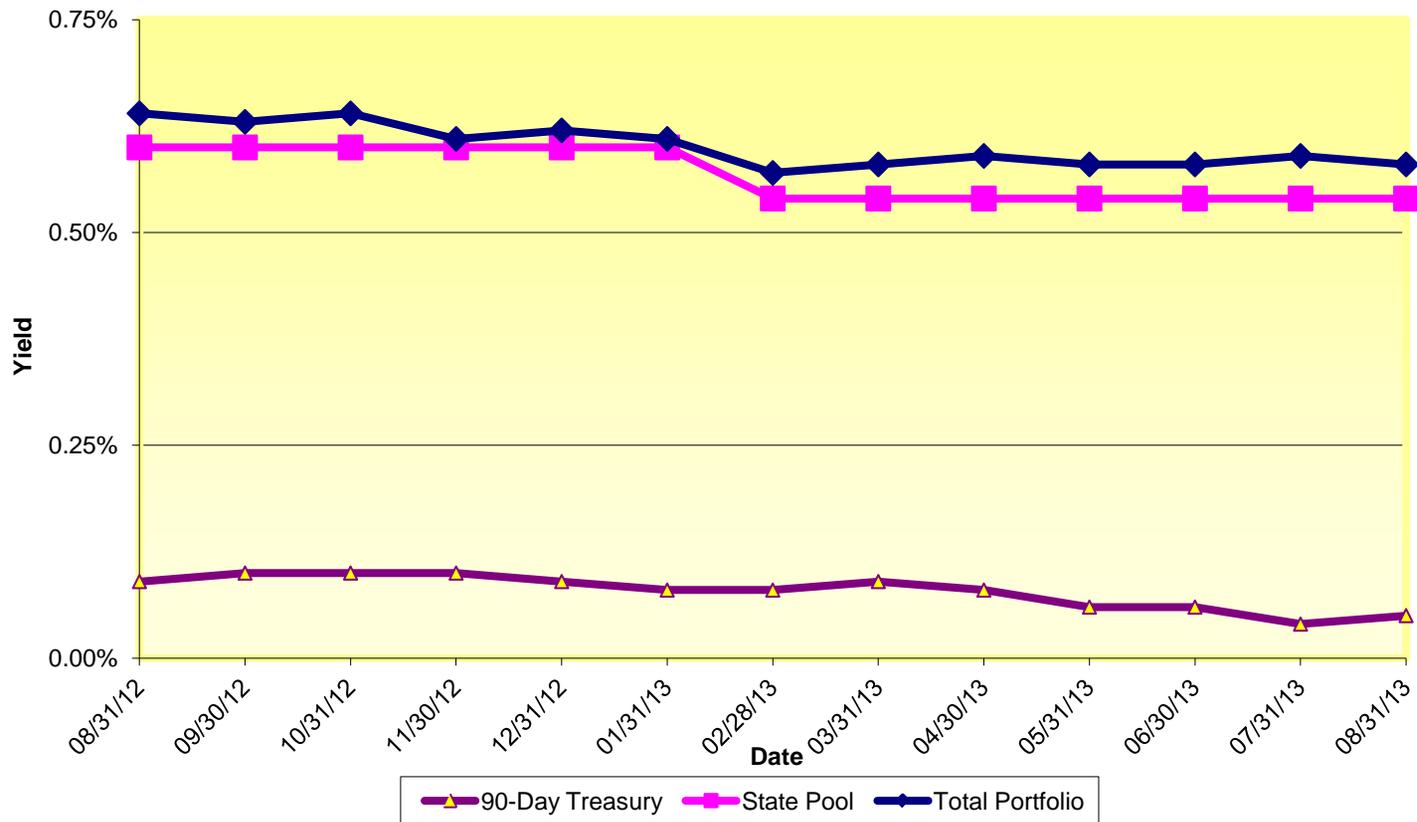
(2) In FY 13/14 property tax services have been consolidated into the general fund (101) and so Funds 210, 211, 240 and 290 will be closed out at year-end. As such, all interest associated with these five fund cash balances is now distributed directly to the General Fund (101).

(3) CD Revolving Fund and Storm Water Construction Funds are carrying negative cash balances due to timing of grant reimbursements relative to expenditures.

(4) GO Debt Service Fund is currently carrying a negative cash balance due to a combination of timing of property tax receipts not anticipated until November, and the HP refund that was paid out in July with respect to this levy.

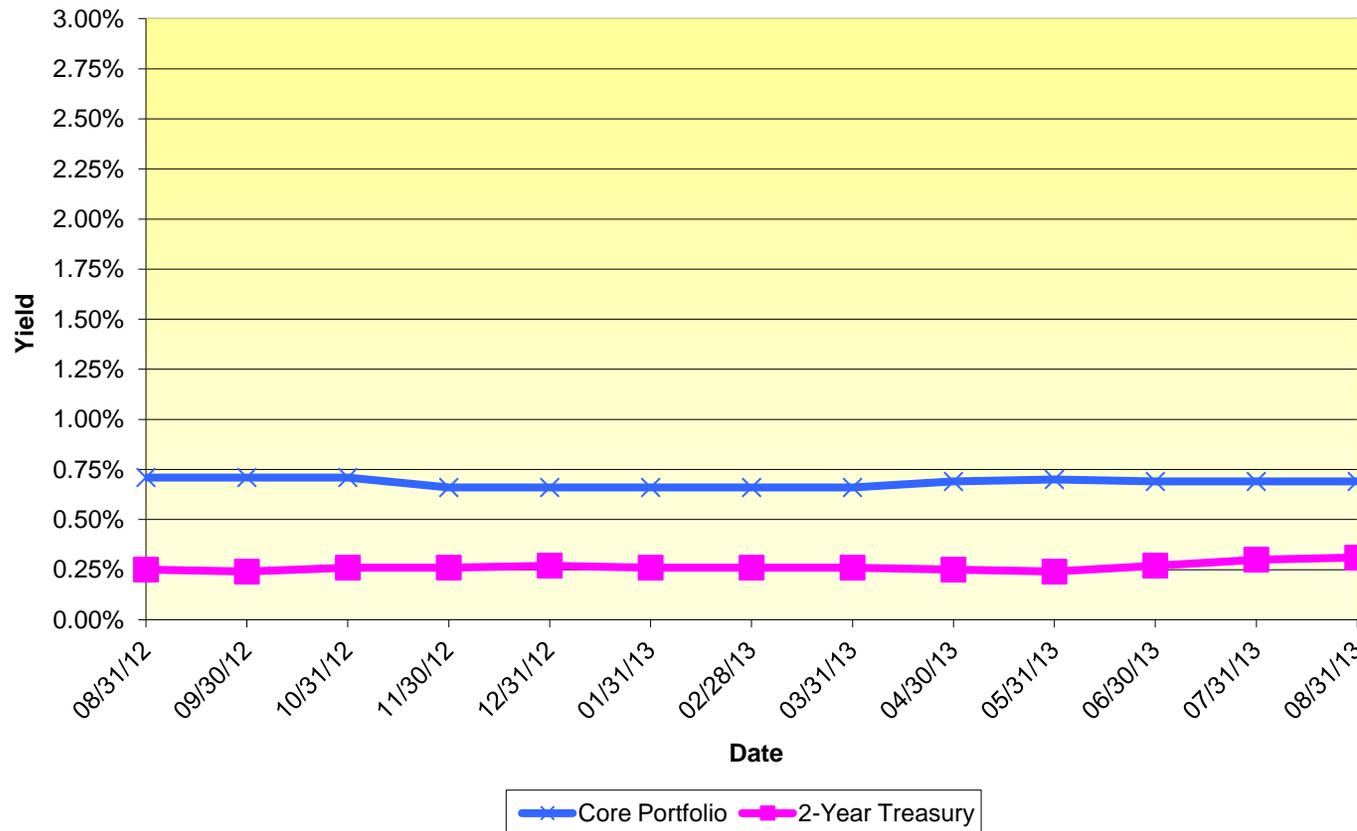


City of Corvallis Total Portfolio vs. Benchmark Aug 2012 - Aug 2013





City of Corvallis Core Portfolio vs. Benchmark Aug 2012 - Aug 2013





City of Corvallis Cash & Investments

