

**CITY OF CORVALLIS**

*Investment Council*

*Treasury Report*

July 2013

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

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## MONTHLY MARKET COMMENTARY



JULY 2013

Treasury yields were mixed in May with prices moving down in bonds with maturities from seven to thirty years and prices rallying in the seven year and shorter part of the curve. The increase in yields in the longer part of the curve was due to a combination of economic optimism and anticipation that the Fed will begin to reduce its purchasing program of securities. The possibility of less government intervention in the Treasury market led to a severe steepening in the yield curve. One year ago, the spread between five-year and ten-year treasury notes was only 86 basis points. The spread ended the month of July at plus 122 basis points between five-year and ten-year U.S. Treasuries. Contributing to the increase in yields in July was the stronger than expected gain of 202,000 in non-farm payrolls and upward revisions to the previous two months. The jobs data also revealed upside surprises for hours-worked and wages. This reinforced the market perception that the Fed may begin to taper their asset purchases as early as September.

### Economic Indicators

The Philadelphia Fed Index in July rose to 19.8 vs. 12.5 the previous month. A decline to 8.0 was expected. This is the highest reading since March 2011. In other good news, the Fed's Beige Book depicted an economy that has had "modest to moderate" growth. Consumer spending gained in most areas, wage pressures are "generally" contained, banking conditions improved and commercial and residential real estate continued to improve. Quarter Two 2013 GDP rose to a stronger than expected 1.7% annual rate.

### The FOMC

The minutes of the June 18-19 FOMC meeting released in July said that "many" members wanted further improvement in the labor market before embarking on tapering its current \$85 billion per month asset purchases. "Several" members thought tapering would be needed soon. Some members also want further evidence of economic acceleration. About half of the 19 participants wanted tapering to begin late this year, many say 2014 as the likely time frame and a "few" wanted immediate action. Low inflation remains a concern. The bottomline was summed up by Ian Shepherdson, chief economist at Pantheon Macroeconomics, "Ambiguities abound... The FOMC minutes reveal a very broad spread of opinions on just about every aspect of policy and the state of the economy."

### **TREASURY YIELD CURVE TOTAL RETURNS OVER THE LAST 12 MONTHS\***

<u>Maturity</u>	<u>Total Return (trailing 12 months)</u>
3 month Bill	0.11
1 year Note	0.26
2 year Note	0.20
3 year Note	-0.13
5 year note	-1.95

Source: Bloomberg

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

	<u>05/31/13</u>	<u>06/30/13</u>	<u>07/31/13</u>	<u>Chg July</u>
3-month bill	0.03	0.03	0.04	+0.01
6-month bill	0.06	0.09	0.07	-0.02
2-year note	0.30	0.36	0.31	-0.05
3-year note	0.49	0.65	0.59	-0.06
5-year note	1.02	1.40	1.38	-0.02
10-year note	2.13	2.49	2.58	+0.09
30-year bond	3.28	3.50	3.64	+0.14

Source: Bloomberg

## Policy Compliance Report

(Market Values)

### Overall Portfolio Structure

Liquid Component	\$5,000,000.00	\$20,000,000.00	\$23,672,346.56	60.00%	<b>63.6%</b>	3.62%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$13,536,075.00	40.00%	<b>36.4%</b>	-3.62%
<b>Total</b>			\$37,208,421.56			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	64%	Yes
Under 1 Year	> 25%	72%	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	\$37,208,421.56	Yes
Federal Agency and Agency Sponsored	100%	40%	32.35%	\$12,036,835.00	5 Years	\$25,171,586.56	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	5.58%	\$2,075,386.13		\$7,226,719.26	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$3,720,842.16	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$3,720,842.16	Yes
Municipal Obligations (OR, WA, AA or better)	10%	5%	1.34%	\$499,240.00	5 Years	\$3,221,602.16	Yes
State Pool	ORS Maximum or 100%		60.73%	\$22,596,960.43	N/A	\$22,808,482.57	Yes
<b>Total</b>			100.00%	\$37,208,421.56			

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

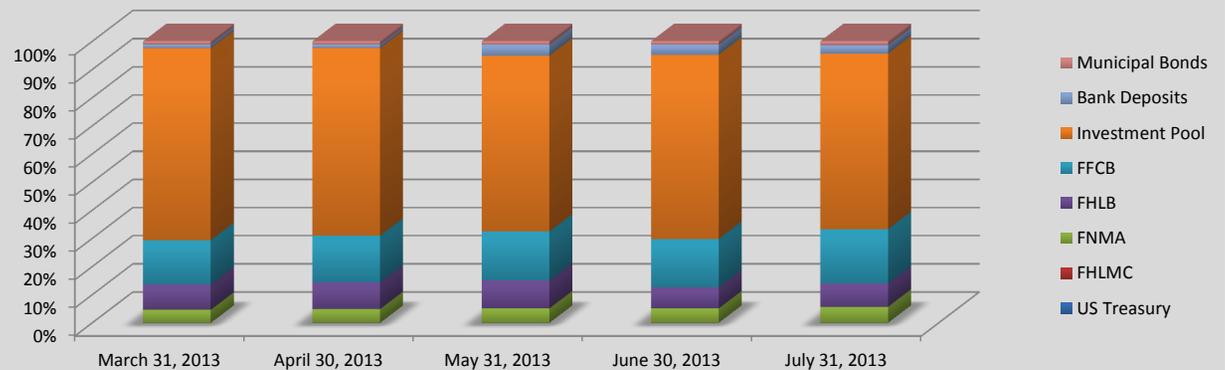
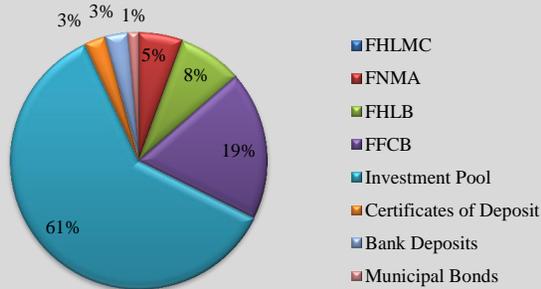
**Total Asset Allocation Strategy**  
 (Market Values)

**Commentary**

There was no activity in the month of July and the liquidity will be increased due to uncertain cashflows.

Sector	Yield	March 31, 2013	April 30, 2013	May 31, 2013	June 30, 2013	July 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%	\$2,062,370.00	\$2,062,652.00	\$2,056,712.00	\$2,049,582.00	\$2,050,630.00	(\$6,082.00)
FHLB	0.55%	\$4,019,721.00	\$4,016,924.00	\$4,012,957.00	\$3,010,629.00	\$3,009,546.00	(\$1,003,411.00)
FFCB	0.65%	\$7,017,858.00	\$7,021,324.00	\$6,994,583.00	\$6,954,294.00	\$6,976,659.00	(\$17,924.00)
Investment Pool	0.54%	\$30,395,488.45	\$28,167,594.11	\$25,161,070.16	\$26,368,235.46	\$22,596,960.43	(\$2,564,109.73)
Certificates of Deposit	1.00%	\$0.00	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$0.00
Bank Deposits	0.25%	\$620,190.10	\$530,441.47	\$1,578,209.02	\$1,427,385.49	\$1,075,386.13	(\$502,822.89)
Municipal Bonds	0.88%	\$502,620.00	\$504,100.00	\$501,885.00	\$499,220.00	\$499,240.00	(\$2,645.00)
<b>Total</b>	<b>0.69%</b>	<b>\$44,618,247.55</b>	<b>\$43,303,035.58</b>	<b>\$39,382,740.46</b>	<b>\$41,309,345.95</b>	<b>\$37,208,421.56</b>	<b>(\$4,096,994.62)</b>

**Current Sector Allocation**





**DETAIL AMORTIZATION COST RETURN**  
**CITY OF CORVALLIS TOTAL**  
 From 06-30-13 to 07-31-13

<b>CURRENT HOLDINGS</b>	<b>Interest Earned</b>	<b>Accretion (Amortization)</b>	<b>Realized Gain/Loss</b>	<b>Total Income</b>
AGENCY BULLET	6,350.69	-2,175.36	0.00	4,175.33
AGENCY CALLABLE	2,591.94	144.81	0.00	2,736.75
MUNICIPALS	379.32	-1.91	0.00	377.41
CASH & EQUIVALENTS	378.91	0.00	0.00	378.91
CERTIFICATE OF DEPOSITS	1,702.22	0.00	0.00	1,702.22
OR STATE POOL	11,497.90	0.00	0.00	11,497.90
<b>TOTAL</b>	<b>22,900.98</b>	<b>-2,032.46</b>	<b>0.00</b>	<b>20,868.52</b>

**SUMMARY OF AMORTIZED COST BASIS**  
**RETURN FOR THE PERIOD**  
**CITY OF CORVALLIS TOTAL**  
 June 30, 2013 to July 31, 2013

	<b>Total Portfolio</b>
Interest Earned	22,900.98
Accretion/Amortization	-2,032.46
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	20,868.52
Average Daily Historical Cost	41,193,670.63
Return	0.05%
Annualized Return	0.60%
Annualized Return Net of Fees	0.60%
Weighted Duration to Maturity in Years	0.83
Weighted Days to Maturity	306



**CITY OF CORVALLIS TOTAL  
PORTFOLIO HOLDINGS**

July 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
<b>AGENCY BULLET</b>															
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.13	0.55	100.32	0.09	3,009,546.00	2,479.17	3,012,025.17	5,621.17	8.1	0.41	0.41
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	101.80	0.81	102.53	0.48	2,050,630.00	8,576.39	2,059,206.39	14,729.82	5.5	2.19	2.19
3133EAUH9	2,000,000	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16		06-26-12	99.99	0.75	100.26	0.66	2,005,160.00	1,958.33	2,007,118.33	5,420.86	5.4	2.84	2.84
	7,000,000					0.68		0.37	7,065,336.00	13,013.89	7,078,349.89	25,771.86	19.0	1.62	1.62
<b>AGENCY CALLABLE</b>															
3133EC3F9	3,000,000	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	08-12-13	11-15-12	99.89	0.59	99.47	0.72	2,984,193.00	7,104.17	2,991,297.17	-12,490.81	8.0	3.03	0.03
3133EA2D9	2,000,000	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	Cont.call	09-19-12	99.90	0.71	99.37	0.88	1,987,306.00	4,722.22	1,992,028.22	-10,723.11	5.3	3.11	0.03
	5,000,000		Cont.call			0.64		0.79	4,971,499.00	11,826.39	4,983,325.39	-23,213.92	13.4	3.06	0.03
<b>CASH &amp; EQUIVALENTS</b>															
CASH	9,640	CASH 0.100% Due 08-01-13		11-30-12	1.00	0.10	1.00	0.10	9,640.00	0.00	9,640.00	0.00	0.0	0.00	0.00
CBANK3	1,065,746	Corvallis Wells Fargo 0.250% Due 08-01-13		05-31-13	1.00	0.25	1.00	0.25	1,065,746.13	0.00	1,065,746.13	0.00	2.9	0.00	0.00
	1,075,386					0.25		0.25	1,075,386.13	0.00	1,075,386.13	0.00	2.9	0.00	0.00
<b>CERTIFICATE OF DEPOSITS</b>															
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	2,846.81	1,002,846.81	0.00	2.7	2.66	2.66
<b>MUNICIPALS</b>															
731418KU2	500,000	POLK MARION & BENTON SD 0.881% Due 06-15-16		02-01-13	100.01	0.88	99.85	0.93	499,240.00	562.86	499,802.86	-824.60	1.3	2.83	2.83
<b>OR STATE POOL</b>															
ORPOOL	1,000,000	OREGON STATE POOL 0.540% Due 08-01-13		06-21-13	1.00	0.54	1.00	0.54	1,000,000.00	0.00	1,000,000.00	0.00	2.7	0.00	0.00
ORPOOL	21,596,960	OREGON STATE POOL 0.540% Due 08-01-13		06-30-13	1.00	0.54	1.00	0.54	21,596,960.43	0.00	21,596,960.43	0.00	58.0	0.00	0.00
	22,596,960					0.54		0.54	22,596,960.43	0.00	22,596,960.43	0.00	60.7	0.00	0.00
<b>TOTAL</b>	<b>37,172,347</b>					<b>0.59</b>		<b>0.55</b>	<b>37,208,421.56</b>	<b>28,249.94</b>	<b>37,236,671.50</b>	<b>1,733.34</b>	<b>100.0</b>	<b>0.83</b>	<b>0.42</b>

\*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 07-01-13 To 07-31-13

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
<b>Deposit</b>							
07-31-13	07-31-13	manfee		Management Fee		1,500.00	
<b>Interest</b>							
07-19-13	07-19-13	CORV001CD		OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16		845.41	
07-31-13	07-31-13	ORPOOL		OREGON STATE POOL 0.540% Due 08-01-13		443.84	
07-31-13	07-31-13	CBANK3		Corvallis Wells Fargo 0.250% Due 08-01-13		378.91	
07-31-13	07-31-13	ORPOOL		OREGON STATE POOL 0.540% Due 08-01-13		11,054.06	
						12,722.22	
<b>Sell long</b>							
07-31-13	07-31-13	CASH	17	CASH 0.100% Due 08-01-13		17.00	
07-31-13	07-31-13	ORPOOL	3,771,275	OREGON STATE POOL 0.540% Due 08-01-13		3,771,275.03	
07-31-13	07-31-13	CBANK3	351,982	Corvallis Wells Fargo 0.250% Due 08-01-13		351,982.36	
						4,123,274.39	

\*\* 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**  
July 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
<b>MUNICIPAL BONDS(Straight Line)</b>									
POLK MARION & BENTON SD 0.881% Due 06-15-16 (731418KU2)									
500,000	1	02-01-13	100.015	500,075.00	-1.91	-10.40	-10.40	-64.60	500,064.60
<b>FNMA(Straight Line)</b>									
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	-9,318.45	-24,663.82	-35,900.18	2,035,900.18
<b>FHLB(Straight Line)</b>									
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	-5,609.11	-16,298.17	-3,924.83	3,003,924.83
<b>FFCB(Straight Line)</b>									
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	52.81	99.14	260.86	1,999,739.14
<b>FFCB CALLABLE(Straight Line)</b>									
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	363.01	529.11	1,970.89	1,998,029.11
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	627.29	733.81	3,316.19	2,996,683.81
Total				4,993,450.00	144.81	990.30	1,262.92	5,287.08	4,994,712.92
<b>CERTIFICATES OF DEPOSIT(Unadjusted)</b>									
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
<b>CASH(Straight Line)</b>									
CASH 0.100% Due 08-01-13 (CASH)									
9,640	6	11-30-12	1.000	9,640.00	0.00	0.00	0.00	0.00	9,640.00
Corvallis Wells Fargo 0.250% Due 08-01-13 (CBANK3)									
1,065,746	9	05-31-13	1.000	1,065,746.13	0.00	0.00	0.00	0.00	1,065,746.13
Total				1,075,386.13	0.00	0.00	0.00	0.00	1,075,386.13

\*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, 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
<b>POOL(Straight Line)</b>									
OREGON STATE POOL 0.540% Due 08-01-13 (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
21,596,960	11	06-30-13	1.000	21,596,960.43	0.00	0.00	0.00	0.00	21,596,960.43
22,596,960				22,596,960.43	0.00	0.00	0.00	0.00	22,596,960.43
<b>GRAND TOTAL</b>				<b>37,246,298.56</b>	<b>-2,032.46</b>	<b>-13,894.86</b>	<b>-39,610.34</b>	<b>-34,341.66</b>	<b>37,206,688.222</b>

\*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 06-30-13 To 07-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>MUNICIPALS</b>							
MUNICIPALS							
731418KU2	MUNICIPAL GENERAL OBLIGATION POLK MARION & BENTON SD 0.881% Due 06-15-16	183.54	0.00	0.00	0.00	379.32	562.86
		<u>183.54</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>379.32</u>	<u>562.86</u>
	MUNICIPALS Total	<u>183.54</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>379.32</u>	<u>562.86</u>
	MUNICIPALS Total	183.54	0.00	0.00	0.00	379.32	562.86
<b>AGENCY</b>							
AGENCY BULLET							
313371UC8	FHLB 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>218.75</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,260.42</u>	<u>2,479.17</u>
31398A4M1	FNMA 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>
3133EAUH9	FFCB 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>6,663.19</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>6,350.69</u>	<u>13,013.89</u>



**INTEREST ACCRUALS**  
**CITY OF CORVALLIS TOTAL**  
From 06-30-13 To 07-31-13

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	5,683.33	0.00	0.00	0.00	1,420.83	7,104.17
3133EA2D9	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	3,551.11	0.00	0.00	0.00	1,171.11	4,722.22
		9,234.44	0.00	0.00	0.00	2,591.94	11,826.39
AGENCY CALLABLE Total		9,234.44	0.00	0.00	0.00	2,591.94	11,826.39
AGENCY Total		15,897.64	0.00	0.00	0.00	8,942.64	24,840.28
<b>CERTIFICATE OF DEPOSIT</b>							
CERTIFICATE OF DEPOSITS							
CERTIFICATE OF DEPOSITS							
CORV001CD	OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16	1,990.00	0.00	0.00	-845.41	1,702.22	2,846.81
		1,990.00	0.00	0.00	-845.41	1,702.22	2,846.81
CERTIFICATE OF DEPOSIT Total		1,990.00	0.00	0.00	-845.41	1,702.22	2,846.81
CERTIFICATE OF DEPOSIT Total		1,990.00	0.00	0.00	-845.41	1,702.22	2,846.81
<b>CASH</b>							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.100% Due 08-01-13	0.00	0.00	0.00	0.00	0.00	0.00
CBANK3	Corvallis Wells Fargo 0.250% Due 08-01-13	0.00	0.00	0.00	-378.91	378.91	0.00
		0.00	0.00	0.00	-378.91	378.91	0.00



INTEREST ACCRUALS  
CITY OF CORVALLIS TOTAL  
From 06-30-13 To 07-31-13

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	-378.91	378.91	0.00
	OR STATE POOL						
	STATE INVESTMENT POOL						
ORPOOL	OREGON STATE POOL 0.540% Due 08-01-13	0.00	0.00	0.00	-11,497.90	11,497.90	0.00
		0.00	0.00	0.00	-11,497.90	11,497.90	0.00
	OR STATE POOL Total	0.00	0.00	0.00	-11,497.90	11,497.90	0.00
	CASH Total	0.00	0.00	0.00	-11,876.81	11,876.81	0.00
	<b>TOTAL PORTFOLIO</b>	<b>18,071.18</b>	<b>0.00</b>	<b>0.00</b>	<b>-12,722.22</b>	<b>22,900.98</b>	<b>28,249.94</b>

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

<b>Investment/Issuer Types</b>				<b>Other</b>	
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  
JULY 2013**

	Receipts (1)	Disbursements (2)	Net
Actual Activity	3,837,118	8,127,644	(4,290,526)
Average of Prior Three Years	4,910,128	7,824,932	(2,914,804)
<b>Difference</b>	<b>(1,073,010)</b>	<b>302,712</b>	<b>(1,375,722)</b>

(1) Receipts include deposits and interest received

Receipts are all revenue deposits for the month, include HP refund submitted to the Benton County for overvaluation from previous years property taxes.

(2) Disbursements include vendor payments, payroll costs, and all other operating expenditures made by check and wire or electronic transfer. Disbursements are higher than the average resulting from the early payoff of the Airport Loan principle and Insurance premium increase of 4.7% & increase in housing related charges for service contributed to the variance between actual and the three year average.

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.

Due to a change in budgeting process Actual Activity is now being compared to the prior 3 year average.

**City of Corvallis**  
**Monthly Revenue Allocations**  
**Distributed in July 2013**

<b>Fund</b>	<b>Fund Name</b>	<b>* Month's Avg Cash Balance</b>	<b>Interest Distributed</b>	<b>Fund</b>	<b>Fund Name</b>	<b>* Month's Avg Cash Balance</b>	<b>Interest Distributed</b>
101	General	5,345,741.42	1,620.77	509	Water Construction	40,072.63	12.14
201	Street	660,723.69	200.30	520	Wastewater	2,610,860.45	791.53
208	Street SDC	2,233,069.48	676.99	528	Wastewater SDC	9,362,732.69	2,838.52
218	Parks SDC	2,201,054.17	667.29	529	Wastewater Construction	96,495.15	29.25
220	911	596,919.18	180.96	540	Storm Water	1,297,206.44	393.27
230	Development Services	1,761,639.41	534.07	548	Storm Water SDC	93,029.22	28.20
250	Comm Dev Revolving	(215,601.95)	(65.00)	549	Storm Water Construction	39,239.16	11.89
260	Parking	1,022,531.47	309.99	560	Airport	592,261.34	179.48
270	Transit	1,682,829.26	510.18	569	Airport Construction	1,994.28	0.60
301	Capital Improvement	835,105.09	253.18	610	Fleet Maintenance	89,780.76	27.21
401	General Obligation Debt Service	(22,134.79)	(7.00)	615	Facility Maintenance	229,742.82	69.64
460	Davidson Library	5,675.81	1.71	620	Technology & Communications	605,076.63	183.43
501	Water	1,832,343.07	555.50	625	Administrative Services	611,840.57	185.48
502	Water Timber	580,216.66	175.89	630	Risk Management	1,544,490.26	468.24
508	Water SDC	4,979,538.53	1,509.65				
				<b>Total</b>		<b>40,714,472.88</b>	<b>12,343.36</b>

\* 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.

The accrual method of accounting is used for investments. The interest distributed will equal the monthly interest income accrual, net 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.

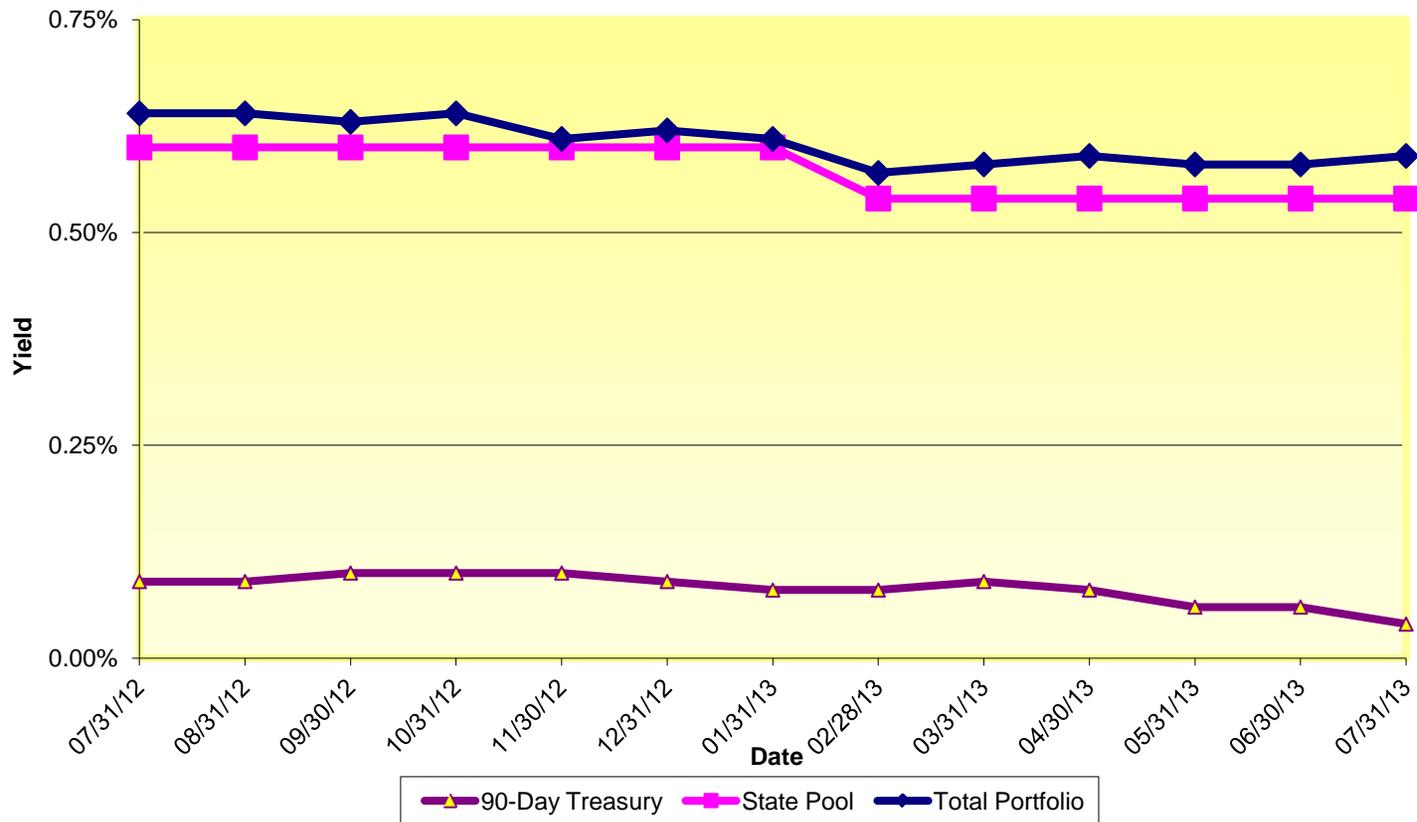
The distribution is based on the average cash balance for the period in which interest is earned.

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

In FY 13/14 property tax funds have been consolidated into the general fund (101) and all associated interest is now distributed to that fund.

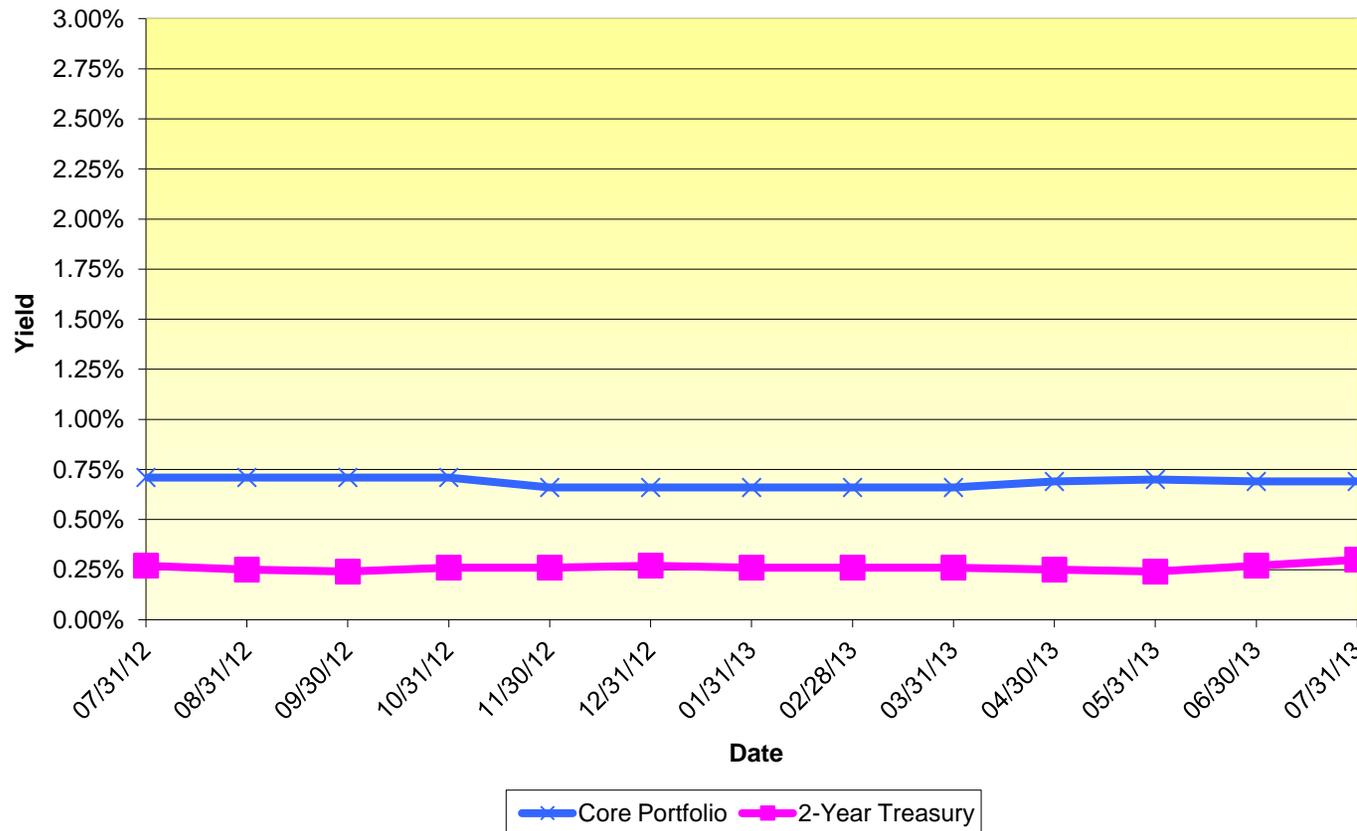


## City of Corvallis Total Portfolio vs. Benchmark July 2012 - July 2013





## City of Corvallis Core Portfolio vs. Benchmark July 2012 - July 2013





# City of Corvallis Cash & Investments

