

**CITY OF CORVALLIS**

*Investment Council*

*Treasury Report*

May 2013

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

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## MONTHLY MARKET COMMENTARY



MAY 2013

Treasury yields rallied significantly in May with prices moving down to their lowest levels in over a year. The one exception to this increase in rates was the six month and under part of the curve with rates nearing zero. The increase in yield 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 yield on the 10-year UST Note hit its highest level in nearly 14 months, up to 2.13% as of the close on 5/31/13. This represents an increase in yield of 46 basis points. Contributing to the increase in yields in May was the stronger than expected gain of 165,000 in non-farm payrolls and upward revisions to the previous two months. The decline in the unemployment rate to 7.5% was real and did not involve a reduction in the labor force participation rates. The market consensus is that while these numbers are encouraging, the reports were not strong enough to decrease the pace of asset purchases by the Fed, but were not weak enough to increase Fed purchases.

### Europe

Concerns over European economic health have lessened as the European Central Bank (ECB) lowered interest rates from .75% to a record low .50%. President Mario Draghi said risks continue to remain to the downside and the central bank stands ready to take additional actions as needed. This could include charging banks to keep excess reserves with the central bank. This would be an effective negative yield and the first time occurrence of this. The move would be meant to encourage lending and promote economic growth. The ECB will continue its money lending to banks to help liquidity until at least mid-2014. Some progress has been made on improving funding conditions.

### The FOMC

In an 11-1 vote, the FOMC left interest rates unchanged and its asset purchases unchanged at \$85 billion. The committee is prepared to increase or decrease the level of its purchases as the economy changes. They restated their objective to keep interest rates near zero until employment falls below 6.5% or inflation exceeds 2.5%. The FOMC left its assessment of the economy unchanged and did not address the recent slowdown, although, they maintained downside risks remain. Inflation is currently below the Fed's long term target.

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

<u>Maturity</u>	<u>Total Return (trailing 12 months)</u>
3 month Bill	.12
1 year Note	.26
2 year Note	.23
3 year Note	.16
5 year note	-.25

\*Source: Bloomberg

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

	<u>03/31/13</u>	<u>04/30/13</u>	<u>05/31/13</u>	<u>Chg May</u>
3-month bill	0.07	0.05	0.03	-0.02
6-month bill	0.10	0.08	0.06	-0.02
2-year note	0.24	0.21	0.30	+0.09
3-year note	0.35	0.31	0.49	+0.18
5-year note	0.76	0.68	1.02	+0.34
10-year note	1.85	1.67	2.13	+0.46
30-year bond	3.10	2.88	3.28	+0.40

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	\$26,739,279.18	60.00%	<b>64.7%</b>	4.74%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$14,566,137.00	40.00%	<b>35.3%</b>	-4.74%
<b>Total</b>			\$41,305,416.18			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	67%	Yes
Under 1 Year	> 25%	74%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.74	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	\$41,305,416.18	Yes
Federal Agency and Agency Sponsored	100%	40%	31.63%	\$13,064,252.00	5 Years	\$28,241,164.18	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	6.24%	\$2,578,209.02		\$7,748,145.03	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$4,130,541.62	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$4,130,541.62	Yes
Municipal Obligations (OR, WA, AA or better)	10%	5%	1.22%	\$501,885.00	5 Years	\$3,628,656.62	Yes
State Pool	ORS Maximum or 100%		60.91%	\$25,161,070.16	N/A	\$20,244,372.84	Yes
<b>Total</b>			100.00%	\$41,305,416.18			

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."

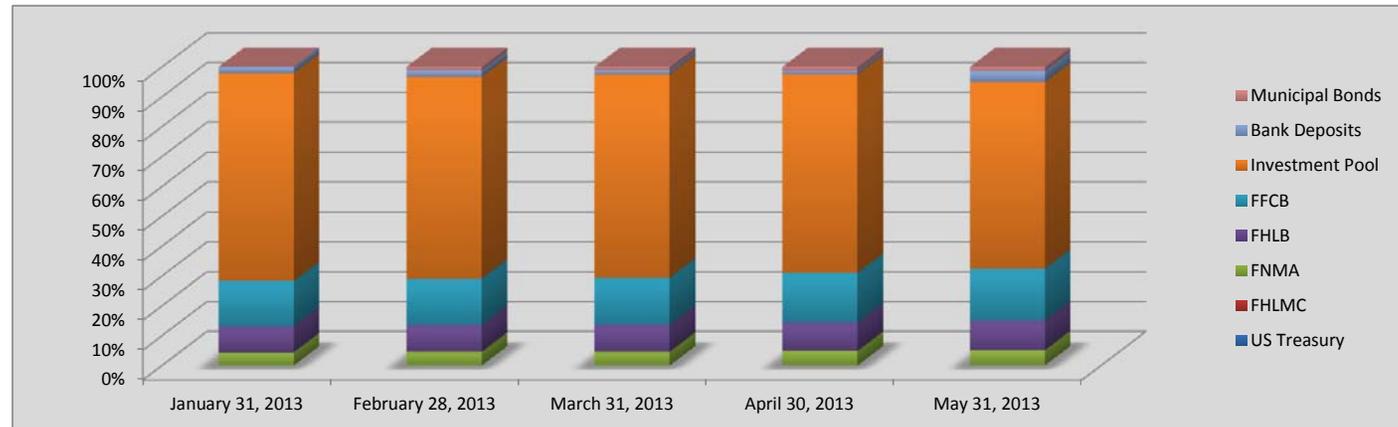
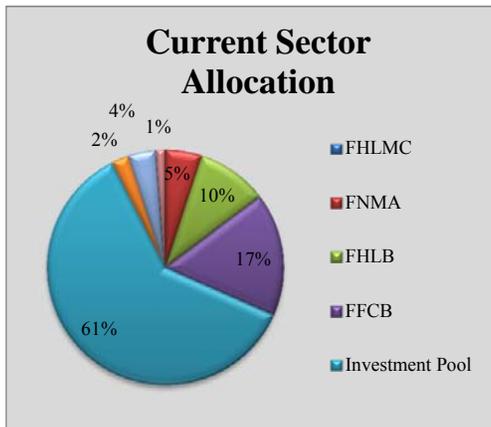
Policy : August 2012

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

**Commentary**

The portfolio remains on target with holdings in high quality issues. The market values of the investment holdings declined this month as interest rates rose.

Sector	Yield	January 31, 2013	February 28, 2013	March 31, 2013	April 30, 2013	May 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%	\$2,065,944.00	\$2,063,912.00	\$2,062,370.00	\$2,062,652.00	\$2,056,712.00	(\$5,940.00)
FHLB	0.59%	\$4,025,637.00	\$4,021,924.00	\$4,019,721.00	\$4,016,924.00	\$4,012,957.00	(\$3,967.00)
FFCB	0.65%	\$7,003,177.00	\$7,008,940.00	\$7,017,858.00	\$7,021,324.00	\$6,994,583.00	(\$26,741.00)
Investment Pool	0.60%	\$32,356,275.41	\$30,431,888.53	\$30,395,488.45	\$28,167,594.11	\$25,161,070.16	(\$3,006,523.95)
Certificates of Deposit	1.00%	\$0.00	\$0.00	\$0.00	\$1,000,000.00	\$1,000,000.00	\$0.00
Bank Deposits	0.25%	\$995,542.22	\$1,033,811.07	\$620,190.10	\$530,441.47	\$1,578,209.02	\$1,047,767.55
Municipal Bonds	0.88%	\$0.00	\$501,550.00	\$502,620.00	\$504,100.00	\$501,885.00	(\$2,215.00)
<b>Total</b>	<b>0.69%</b>	<b>\$46,446,575.63</b>	<b>\$45,062,025.60</b>	<b>\$44,618,247.55</b>	<b>\$43,303,035.58</b>	<b>\$41,305,416.18</b>	<b>(\$1,997,619.40)</b>





**DETAIL AMORTIZATION COST RETURN**  
**CITY OF CORVALLIS TOTAL**

From 04-30-13 to 05-31-13

<b>CURRENT HOLDINGS</b>	<b>Interest Earned</b>	<b>Accretion (Amortization)</b>	<b>Realized Gain/Loss</b>	<b>Total Income</b>
AGENCY BULLET	7,965.28	-3,144.18	0.00	4,821.10
AGENCY CALLABLE	2,591.94	144.81	0.00	2,736.75
MUNICIPALS	379.32	-1.91	0.00	377.41
CASH & EQUIVALENTS	277.81	0.00	0.00	277.81
CERTIFICATE OF DEPOSITS	1,702.43	0.00	0.00	1,702.43
OR STATE POOL	13,070.74	0.00	0.00	13,070.74
<b>TOTAL</b>	<b>25,987.52</b>	<b>-3,001.28</b>	<b>0.00</b>	<b>22,986.24</b>

**SUMMARY OF AMORTIZED COST BASIS**  
**RETURN FOR THE PERIOD**  
**CITY OF CORVALLIS TOTAL**

April 30, 2013 to May 31, 2013

	<b>Total Portfolio</b>
Interest Earned	25,987.52
Accretion/Amortization	-3,001.28
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	22,986.24
Average Daily Historical Cost	43,121,082.65
Return	0.05%
Annualized Return	0.63%
Annualized Return Net of Fees	0.63%
Weighted Duration to Maturity in Years	0.80
Weighted Days to Maturity	297



**CITY OF CORVALLIS TOTAL  
PORTFOLIO HOLDINGS**

May 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>															
3133XXYX9	1,000,000	FEDERAL HOME LN BKS 1.875% Due 06-21-13		05-11-11	100.06	0.71	100.09	0.27	1,000,882.00	8,333.33	1,009,215.33	261.57	2.4	0.06	0.06
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.18	0.55	100.40	0.17	3,012,075.00	11,229.17	3,023,304.17	6,536.23	7.3	0.57	0.57
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	101.93	0.81	102.84	0.44	2,056,712.00	3,159.72	2,059,871.72	18,130.02	5.0	2.36	2.36
3133EAUH9	2,000,000	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16		06-26-12	99.99	0.75	100.48	0.59	2,009,636.00	6,958.33	2,016,594.33	9,912.06	4.9	2.99	2.99
	8,000,000					0.69		0.35	8,079,305.00	29,680.56	8,108,985.56	34,839.87	19.6	1.57	1.57
<b>AGENCY CALLABLE</b>															
3133EC3F9	3,000,000	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	Cont. call	11-15-12	99.88	0.59	99.72	0.64	2,991,483.00	4,354.17	2,995,837.17	-5,020.32	7.2	3.20	3.20
3133EA2D9	2,000,000	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	Cont. call	09-19-12	99.90	0.71	99.67	0.78	1,993,464.00	2,455.56	1,995,919.56	-4,460.66	4.8	3.27	3.27
	5,000,000					0.64		0.69	4,984,947.00	6,809.72	4,991,756.72	-9,480.97	12.1	3.23	3.23
<b>CASH &amp; EQUIVALENTS</b>															
CASH	9,657	CASH 0.100% Due 06-01-13		11-30-12	1.00	0.10	1.00	0.10	9,657.00	0.00	9,657.00	0.00	0.0	0.00	0.00
CBANK3	1,568,552	Corvallis Wells Fargo 0.250% Due 06-01-13		05-31-13	1.00	0.25	1.00	0.25	1,568,552.02	0.00	1,568,552.02	0.00	3.8	0.00	0.00
	1,578,209					0.25		0.25	1,578,209.02	0.00	1,578,209.02	0.00	3.8	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	1,160.83	1,001,160.83	0.00	2.4	2.82	2.82
<b>MUNICIPALS</b>															
731418KU2	500,000	POLK MARION & BENTON SD 0.881% Due 06-15-16		02-01-13	100.01	0.88	100.38	0.75	501,885.00	1,321.50	503,206.50	1,816.65	1.2	2.99	2.99
<b>OR STATE POOL</b>															
ORPOOL	25,161,070	OREGON STATE POOL 0.540% Due 06-01-13		03-31-13	1.00	0.54	1.00	0.54	25,161,070.16	0.00	25,161,070.16	0.00	60.9	0.00	0.00
<b>TOTAL</b>	<b>41,239,279</b>					<b>0.58</b>		<b>0.52</b>	<b>41,305,416.18</b>	<b>38,972.61</b>	<b>41,344,388.79</b>	<b>27,175.54</b>	<b>100.0</b>	<b>0.80</b>	<b>0.80</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 05-01-13 To 05-31-13

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
<b>Buy long</b>							
05-31-13	05-31-13	CBANK3	1,568,552	Corvallis Wells Fargo 0.250% Due 06-01-13		1,568,552.02	
<b>Deposit</b>							
05-31-13	05-31-13	manfee		Management Fee **		1,500.00	
<b>Interest</b>							
05-19-13	05-19-13	CORV001CD		OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16		845.62	
05-31-13	05-31-13	ORPOOL		OREGON STATE POOL 0.540% Due 06-01-13		161.10	
05-31-13	05-31-13	ORPOOL		OREGON STATE POOL 0.540% Due 06-01-13		12,909.64	
05-31-13	05-31-13	CBANK3		Corvallis Wells Fargo 0.250% Due 06-01-13		277.81	
						14,194.17	
<b>Sell long</b>							
05-22-13	05-22-13	ORPOOL	500,000	OREGON STATE POOL 0.540% Due 06-01-13		500,000.00	
05-31-13	05-31-13	ORPOOL	2,506,524	OREGON STATE POOL 0.540% Due 06-01-13		2,506,523.95	
05-31-13	05-31-13	CBANK3	520,384	Corvallis Wells Fargo 0.250% Due 06-01-13		520,384.47	
05-31-13	05-31-13	CASH	400	CASH 0.100% Due 06-01-13		400.00	
						3,527,308.42	

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

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

**AMORTIZATION AND ACCRETION - SETTLED TRADES**  
**CITY OF CORVALLIS TOTAL**  
 May 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	-6.65	-6.65	-68.35	500,068.35
<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	-6,636.65	-21,982.02	-38,581.98	2,038,581.98
<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	-3,995.17	-14,684.23	-5,538.77	3,005,538.77
FEDERAL HOME LN BKS 1.875% Due 06-21-13 (3133XXYX9)									
1,000,000	1	05-11-11	102.429	1,024,290.00	-968.81	-4,762.81	-23,669.57	-620.43	1,000,620.43
Total				4,044,513.00	-1,789.01	-8,757.98	-38,353.80	-6,159.20	4,006,159.20
<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	37.61	83.94	276.06	1,999,723.94
<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	258.56	424.66	2,075.34	1,997,924.66
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	446.79	553.32	3,496.68	2,996,503.32
Total				4,993,450.00	144.81	705.36	977.97	5,572.03	4,994,427.97
<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 06-01-13 (CASH)									

\*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**  
 May 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
9,657	6	11-30-12	1.000	9,657.00	0.00	0.00	0.00	0.00	9,657.00
Corvallis Wells Fargo		0.250% Due 06-01-13 (CBANK3)							
1,568,552	9	05-31-13	1.000	1,568,552.02	0.00	0.00	0.00	0.00	1,568,552.02
Total				1,578,209.02	0.00	0.00	0.00	0.00	1,578,209.02
<b>POOL(Straight Line)</b>									
OREGON STATE POOL		0.540% Due 06-01-13 (ORPOOL)							
25,161,070	10	03-31-13	1.000	25,161,070.16	0.00	0.00	0.00	0.00	25,161,070.16
<b>GRAND TOTAL</b>				<b>41,337,521.18</b>	<b>-3,001.28</b>	<b>-14,658.30</b>	<b>-59,280.54</b>	<b>-38,961.46</b>	<b>41,278,240.64</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 04-30-13 To 05-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>MUNICIPALS</b>							
MUNICIPALS							
MUNICIPAL GENERAL OBLIGATION							
731418KU2	POLK MARION & BENTON SD 0.881% Due 06-15-16	942.18	0.00	0.00	0.00	379.32	1,321.50
		942.18	0.00	0.00	0.00	379.32	1,321.50
MUNICIPALS Total		942.18	0.00	0.00	0.00	379.32	1,321.50
MUNICIPALS Total		942.18	0.00	0.00	0.00	379.32	1,321.50
<b>AGENCY</b>							
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
		15,687.50	0.00	0.00	0.00	3,875.00	19,562.50
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
		361.11	0.00	0.00	0.00	2,798.61	3,159.72
FFCB							
3133EAUH9	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16	5,666.67	0.00	0.00	0.00	1,291.67	6,958.33
		5,666.67	0.00	0.00	0.00	1,291.67	6,958.33
AGENCY BULLET Total		21,715.28	0.00	0.00	0.00	7,965.28	29,680.56

**INTEREST ACCRUALS**  
**CITY OF CORVALLIS TOTAL**  
 From 04-30-13 To 05-31-13

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>AGENCY CALLABLE</b>							
FFCB							
3133EC3F9	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	2,933.33	0.00	0.00	0.00	1,420.83	4,354.17
3133EA2D9	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	1,284.44	0.00	0.00	0.00	1,171.11	2,455.56
		<u>4,217.78</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,591.94</u>	<u>6,809.72</u>
AGENCY CALLABLE Total		4,217.78	0.00	0.00	0.00	2,591.94	6,809.72
AGENCY Total		25,933.06	0.00	0.00	0.00	10,557.22	36,490.28
<b>CERTIFICATE OF DEPOSIT</b>							
CERTIFICATE OF DEPOSITS							
CERTIFICATE OF DEPOSITS							
CORV001CD	OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16	304.03	0.00	0.00	-845.62	1,702.43	1,160.83
		<u>304.03</u>	<u>0.00</u>	<u>0.00</u>	<u>-845.62</u>	<u>1,702.43</u>	<u>1,160.83</u>
CERTIFICATE OF DEPOSIT Total		304.03	0.00	0.00	-845.62	1,702.43	1,160.83
CERTIFICATE OF DEPOSIT Total		304.03	0.00	0.00	-845.62	1,702.43	1,160.83
<b>CASH</b>							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.100% Due 06-01-13	0.00	0.00	0.00	0.00	0.00	0.00



**INTEREST ACCRUALS**  
**CITY OF CORVALLIS TOTAL**  
 From 04-30-13 To 05-31-13

<b>Security Symbol</b>	<b>Description</b>	<b>Beginning Accrued Interest</b>	<b>Purchased Interest</b>	<b>Sold Interest</b>	<b>Interest Received</b>	<b>Earned Interest</b>	<b>Ending Accrued Interest</b>
CBANK3	Corvallis Wells Fargo 0.250% Due 06-01-13	0.00	0.00	0.00	-277.81	277.81	0.00
		0.00	0.00	0.00	-277.81	277.81	0.00
	<b>CASH &amp; EQUIVALENTS Total</b>	0.00	0.00	0.00	-277.81	277.81	0.00
	<b>OR STATE POOL</b>						
	STATE INVESTMENT POOL						
ORPOOL	OREGON STATE POOL 0.540% Due 06-01-13	0.00	0.00	0.00	-13,070.74	13,070.74	0.00
		0.00	0.00	0.00	-13,070.74	13,070.74	0.00
	<b>OR STATE POOL Total</b>	0.00	0.00	0.00	-13,070.74	13,070.74	0.00
	<b>CASH Total</b>	0.00	0.00	0.00	-13,348.55	13,348.55	0.00
	<b>TOTAL PORTFOLIO</b>	<b>27,179.26</b>	<b>0.00</b>	<b>0.00</b>	<b>-14,194.17</b>	<b>25,987.52</b>	<b>38,972.61</b>

<u>Investment/Issuer Types</u>			<u>Other</u>		
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.

**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 2013**

	Receipts (1)	Disbursements (2)	Net
Actual Activity	6,412,728	7,818,082	(1,405,354)
Projected Activity	6,202,713	9,812,313	(3,609,600)
<b>Difference</b>	<b>210,015</b>	<b>(1,994,231)</b>	<b>2,204,246</b>

(1) Receipts are all revenue deposits for the month, including interest income.

This month's actual activity is higher than projected due primarily to timber sale receipts that came in later than forecast and higher than expected overall.

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

Savings in salaries & wages, as well as in general services, contributed to lower than anticipated disbursements, In addition \$500k in machinery & equipment budget has been carried over to next fiscal year.

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 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	3,802,442.12	1,717.13	460	Davidson Library	5,770.40	2.56
201	Street	617,371.38	266.81	501	Water	1,817,646.45	821.78
208	Street SDC	2,483,424.21	1,101.01	502	Water Timber	488,966.64	196.63
210	Parks & Recreation	1,860,483.28	860.08	508	Water SDC	4,882,272.83	2,166.14
211	Parks & Recreation - Aquatics	133,529.16	68.47	509	Water Construction	(10,745.63)	7.06
212	Open Space	94,881.96	42.25	520	Wastewater	2,324,550.41	1,047.06
218	Parks SDC	2,096,843.38	927.44	528	Wastewater SDC	9,146,222.99	4,058.52
220	911	623,205.73	277.98	529	Wastewater Construction	94,696.18	43.42
230	Development Services	1,083,708.34	461.31	540	Storm Water	1,246,788.43	554.02
240	Fire & Rescue	1,931,921.57	964.61	548	Storm Water SDC	84,339.94	37.04
250	Comm Dev Revolving	(161,168.76)	(80.47)	549	Storm Water Construction	55,671.06	26.07
260	Parking	1,026,765.37	463.25	560	Airport	648,882.82	289.17
270	Transit	1,779,342.76	796.96	569	Airport Construction	220.09	0.03
290	Library	1,458,022.43	704.25	610	Fleet Maintenance	70,483.89	30.63
291	Library 2010	406,956.17	181.31	615	Facility Maintenance	257,357.92	113.21
301	Capital Improvement	853,989.07	362.57	620	Technology & Communications	665,406.87	295.52
401	General Obligation Debt Service	816,565.67	367.29	625	Administrative Services	542,255.42	236.84
				630	Risk Management	912,352.69	421.53
				<b>Total</b>		<b>44,141,423.23</b>	<b>19,829.48</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.

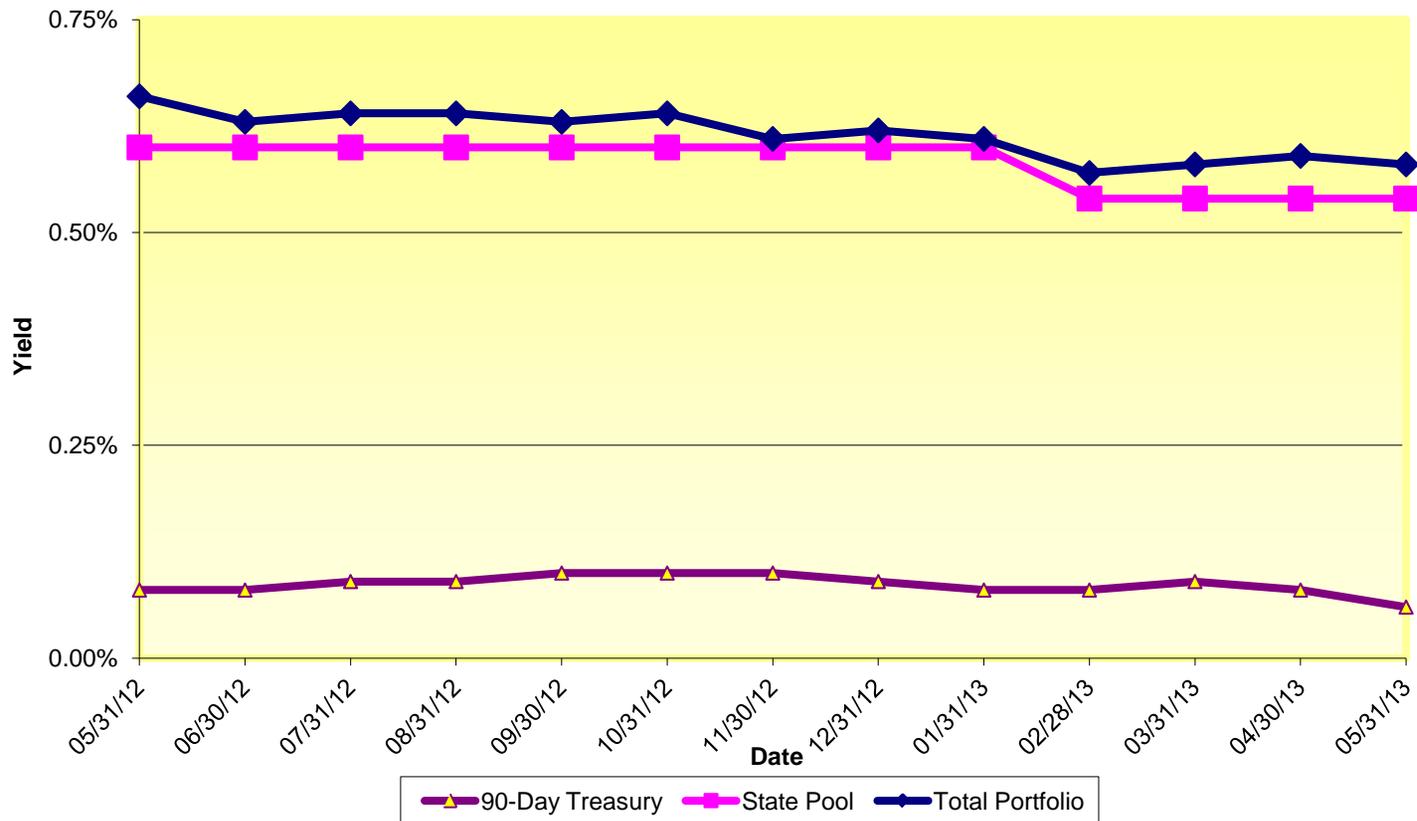
The accrual method of accounting is used for investments. The interest distributed will equal the monthly interest income accrual, net any amortization or accretion on a premium/discount paid on an investment; this is also net of the previous fiscal year's GASB 31 Fair Value Adjustment reversal.

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.

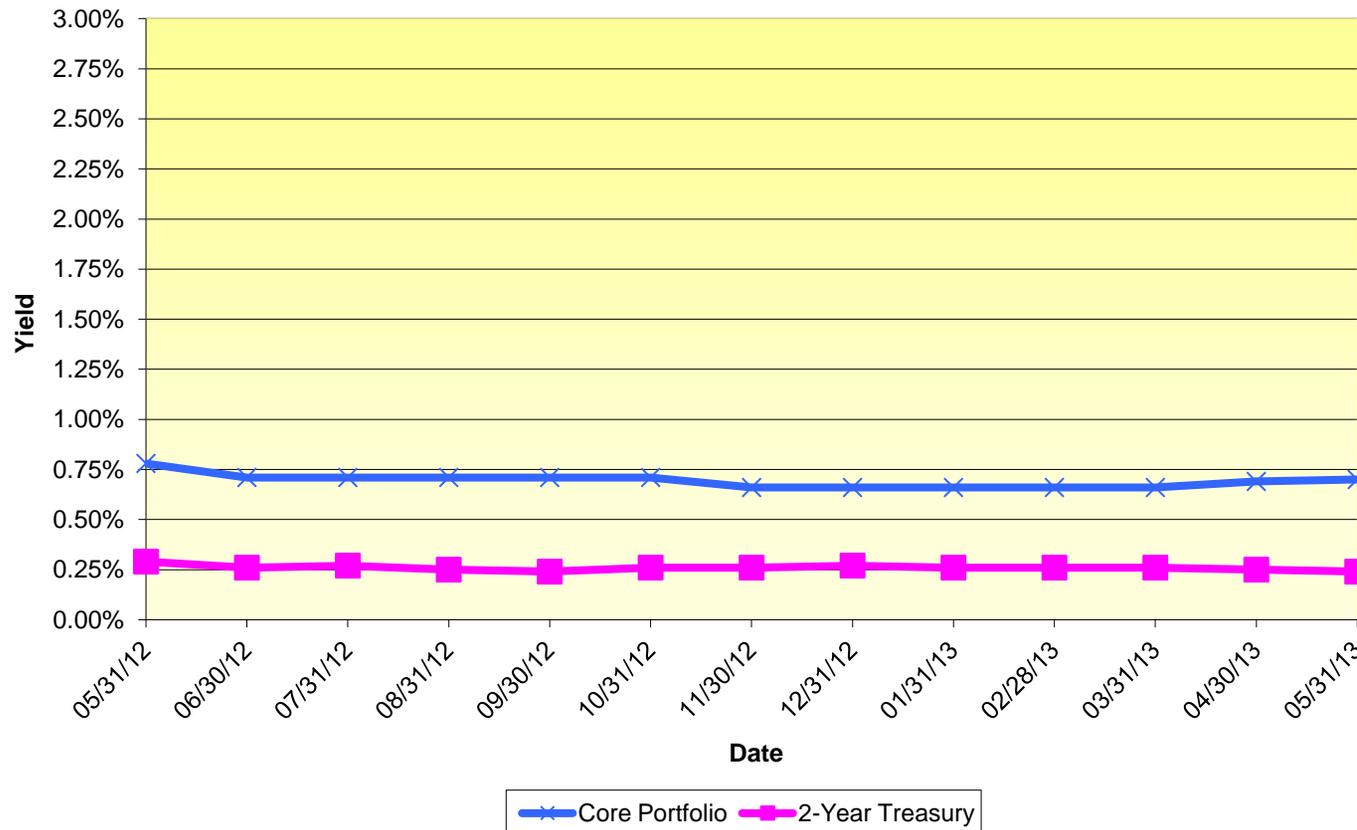


## City of Corvallis Total Portfolio vs. Benchmark May 2012 - May 2013





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





# City of Corvallis Cash & Investments

