

**CITY OF CORVALLIS**

*Investment Council*

*Treasury Report*

January 2014

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

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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.....	14
Cash Flow Summary.....	15
Monthly Revenue Allocations.....	16
Graphs	
Total Portfolio Yield.....	17
Core Portfolio Yield.....	18
Cash & Investments.....	19

## MONTHLY MARKET COMMENTARY



### JANUARY 2014

Treasury yields dropped dramatically in January as turmoil in the emerging markets fueled a worldwide equity sell-off. Along with the sell-off in equities, the markets have also witnessed a major sell-off in less liquid currencies and an increase in prices in the more liquid currencies such as the dollar, yen and Swiss franc.

**Non-farm Payrolls/Unemployment:** Bond prices increased after the announcement that non-farm payrolls in December rose 74,000, its smallest increase since January 2011. A gain of 197,000 was expected. Some estimates were over 200,000. Unemployment in December fell to 6.7% vs. 7.0% the previous month. The FOMC's current threshold level is 6.5% for rates to be increased. The 10-year Treasury yield dropped by 39 basis points from the beginning of the month to the end of the month and thirty-year bond yields dropped 37 basis points from 3.97% to 3.60%.

**The Fed:** As expected, the Fed announced a further \$10 billion reduction in its monthly bond purchases. The minutes were released from Fed Chairman Ben Bernanke's last meeting. There were no unexpected changes to the U.S. Central Bank's plan to keep interest rates low for some time to come. The decision received unanimous backing from Fed policymakers. It was the first policy meeting without a dissent since June 2011. Losses in U.S. stocks continued after the announcement while Treasury prices increased with the yield on the 10-year treasury reaching its lowest yield since November. Janet Yellen took over the Fed Chairmanship on the last day of January.

#### **Other Headlines:**

- The Dow Jones industrial average began the month at 16,576 and ended at 15,698.
- GDP grew at a 3.2% seasonally adjusted annual rate in the final three months of the year.
- The Budget – Spending levels for the next two fiscal years have been agreed on but nothing has been done on an extension of the debt ceiling.
- PPI in December rose .4% with the core rate (ex-food and energy) rising .13%. Gains of .4% and .1% were expected.
- Orders for durable goods unexpectedly slumped in December by the most in five months.
- Existing home sales rose 1.0% - this is the first rise since August.
- The ECB left policy unchanged at .25% but strengthened their forward guidance. The Governing Council strongly emphasized that it will maintain an accommodative stance of monetary policy for as long as necessary.

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

<u>Maturity</u>	<u>Total Return (trailing 12 months)</u>
3 month Bill	.08
1 year Note	.29
2 year Note	.49
3 year Note	.42
5 year Note	-.45

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

	<u>11/30/2013</u>	<u>12/31/2013</u>	<u>01/31/14</u>	<u>Chg January</u>
3-month bill	0.06	0.07	0.02	-0.05
6-month bill	0.10	0.09	0.05	-0.04
2-year note	0.29	0.38	0.33	-0.05
3-year note	0.55	0.77	0.67	-0.10
5-year note	1.37	1.74	1.49	-0.25
10-year note	2.74	3.03	2.64	-0.39
30-year bond	3.81	3.97	3.60	-0.37

\*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	\$38,096,318.19	60.00%	<b>71.4%</b>	11.44%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$15,226,535.18	40.00%	<b>28.6%</b>	-11.44%
<b>Total</b>			<b>\$53,322,853.37</b>			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	75%	Yes
Under 1 Year	> 25%	75%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.56	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%		3.77%	\$2,010,938.00	5 Years	\$51,311,915.37	Yes
Federal Agency and Agency Sponsored	100%	40%	20.69%	\$11,032,916.00	5 Years	\$42,289,937.37	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	6.17%	\$3,291,859.27		\$10,038,854.07	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$5,332,285.34	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$5,332,285.34	Yes
Corporate Bonds (Aa3/AA-)	10%	5%	1.28%	\$680,711.18	5 Years	\$4,651,574.16	Yes
Municipal Obligations (OR, WA, AA or better)	10%	5%	0.94%	\$501,970.00	5 Years	\$4,830,315.34	Yes
State Pool	ORS Maximum or 100%		67.15%	\$35,804,458.92	N/A	\$9,838,426.08	Yes
<b>Total</b>			<b>100.00%</b>	<b>\$53,322,853.37</b>			

ORS Maximum \$45,642,885.00

**\*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 2013

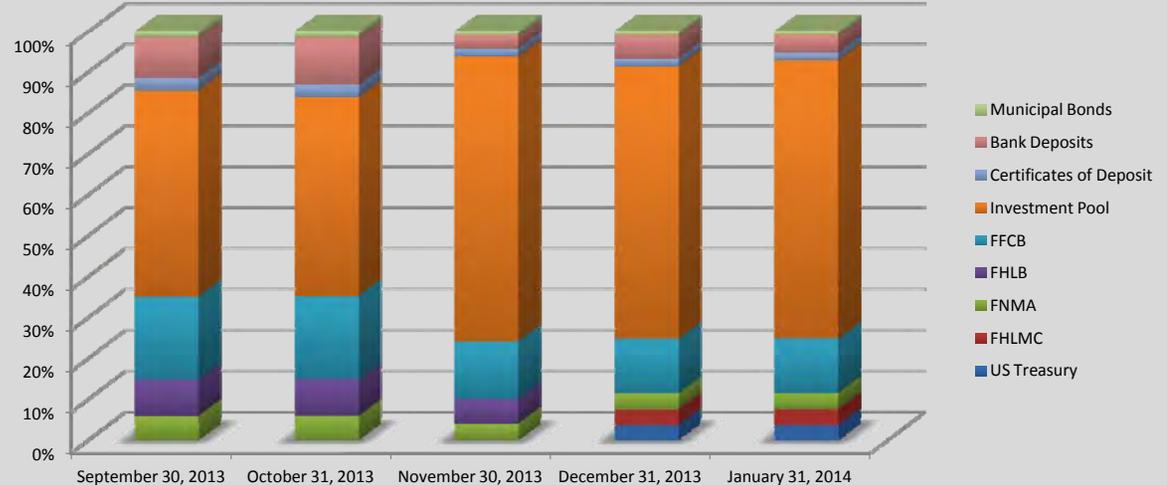
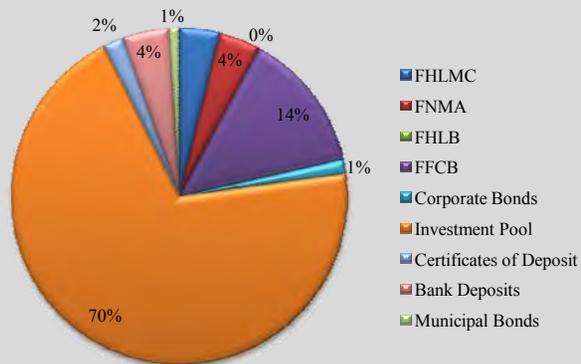
## Total Asset Allocation Strategy (Market Values)

### Commentary

With the core portfolio of approximately \$15 million fully invested, and no maturities in January, no investment purchases were made this past month. The total portfolio remained relatively stable, with seasonally lower revenue inflows sufficient to offset operational spending for the month.

Sector	Yield	September 30, 2013	October 31, 2013	November 30, 2013	December 31, 2013	January 31, 2014	Change From Last Month
US Treasury	0.67%	\$0.00	\$0.00	\$0.00	\$2,004,376.00	\$2,010,938.00	\$6,562.00
FHLMC	1.04%	\$0.00	\$0.00	\$0.00	\$1,987,368.00	\$1,998,392.00	\$11,024.00
FNMA	0.81%	\$2,048,912.00	\$2,049,744.00	\$2,049,210.00	\$2,043,702.00	\$2,044,888.00	\$1,186.00
FHLB	0.55%	\$3,005,694.00	\$3,003,615.00	\$3,001,593.00	\$0.00	\$0.00	\$0.00
FFCB	0.67%	\$6,983,162.00	\$6,996,713.00	\$7,013,297.00	\$6,992,384.00	\$6,989,636.00	(\$2,748.00)
Corporate Bonds	0.70%	\$0.00	\$0.00	\$678,803.63	\$680,407.43	\$680,711.18	\$303.75
Investment Pool	0.54%	\$17,276,690.41	\$16,563,609.69	\$34,820,109.84	\$35,138,225.02	\$35,804,458.92	\$666,233.90
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	0.05%	\$3,463,010.54	\$3,984,457.23	\$1,584,659.41	\$2,999,162.48	\$2,291,859.27	(\$707,303.21)
Municipal Bonds	0.88%	\$499,150.00	\$500,335.00	\$500,825.00	\$498,385.00	\$501,970.00	\$3,585.00
<b>Total</b>	<b>0.58%</b>	<b>\$34,276,618.95</b>	<b>\$34,098,473.92</b>	<b>\$50,648,497.88</b>	<b>\$53,344,009.93</b>	<b>\$53,322,853.37</b>	<b>(\$21,156.56)</b>

### Current Sector Allocation



**DETAIL AMORTIZATION COST RETURN**  
**CITY OF CORVALLIS TOTAL**  
 From 12-31-13 to 01-31-14

<b>CURRENT HOLDINGS</b>	<b>Interest Earned</b>	<b>Accretion (Amortization)</b>	<b>Realized Gain/Loss</b>	<b>Total Income</b>
TREASURY NOTES	1,498.62	-341.43	0.00	1,157.19
AGENCY BULLET	5,625.00	-1,296.47	0.00	4,328.53
AGENCY CALLABLE	2,508.33	144.81	0.00	2,653.14
CORPORATE CALLABLE	562.50	-170.44	0.00	392.06
MUNICIPALS	367.08	-1.91	0.00	365.18
CASH & EQUIVALENTS	161.88	0.00	0.00	161.88
CERTIFICATE OF DEPOSITS	1,702.22	0.00	0.00	1,702.22
OR STATE POOL	16,988.46	0.00	0.00	16,988.46
<b>TOTAL</b>	<b>29,414.09</b>	<b>-1,665.45</b>	<b>0.00</b>	<b>27,748.64</b>

**SUMMARY OF AMORTIZED COST BASIS**  
**RETURN FOR THE PERIOD**  
**CITY OF CORVALLIS TOTAL**  
 December 31, 2013 to January 31, 2014

	<b>Total Portfolio</b>
Interest Earned	29,414.09
Accretion/Amortization	-1,665.45
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	27,748.64
Average Daily Historical Cost	53,372,527.80
Return	0.05%
Annualized Return	0.61%
Annualized Return Net of Fees	0.61%
Weighted Duration to Maturity in Years	0.72
Weighted Days to Maturity	265



## CITY OF CORVALLIS TOTAL PORTFOLIO HOLDINGS

January 31, 2014

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>															
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	101.39	0.81	102.24	0.33	2,044,888.00	8,576.39	2,053,464.39	17,077.20	3.8	1.71	1.71
3133EAUH9	2,000,000	FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16		06-26-12	99.99	0.75	100.38	0.59	2,007,552.00	1,958.33	2,009,510.33	7,767.03	3.8	2.35	2.35
3137EADJ5	2,000,000	FEDERAL HOME LOAN MTG CORP 1.000% Due 07-28-17		12-09-13	99.88	1.04	99.92	1.02	1,998,392.00	166.67	1,998,558.67	801.44	3.7	3.43	3.43
	6,000,000					0.87		0.64	6,050,832.00	10,701.39	6,061,533.39	25,645.68	11.3	2.49	2.49
<b>AGENCY CALLABLE</b>															
3133EC3F9	3,000,000	FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	02-10-14	11-15-12	99.91	0.59	99.67	0.68	2,990,226.00	7,104.17	2,997,330.17	-7,002.25	5.6	2.54	0.03
3133EA2D9	2,000,000	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	02-10-14	09-19-12	99.92	0.71	99.59	0.83	1,991,858.00	4,722.22	1,996,580.22	-6,486.18	3.7	2.62	0.03
	5,000,000					0.64		0.74	4,982,084.00	11,826.39	4,993,910.39	-13,488.42	9.3	2.57	0.03
<b>CASH &amp; EQUIVALENTS</b>															
CASH	1,091	CASH 0.100% Due 02-01-14		01-31-14	1.00	0.10	1.00	0.10	1,090.60	0.00	1,090.60	0.00	0.0	0.00	0.00
CASH	10,065	CASH 0.100% Due 02-01-14		01-31-14	1.00	0.10	1.00	0.10	10,065.00	0.00	10,065.00	0.00	0.0	0.00	0.00
CBANK3	2,280,704	Corvallis Wells Fargo 0.050% Due 02-01-14		12-31-13	1.00	0.05	1.00	0.05	2,280,703.67	0.00	2,280,703.67	0.00	4.3	0.00	0.00
	2,291,859					0.05		0.05	2,291,859.27	0.00	2,291,859.27	0.00	4.3	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	0.98	1,000,000.00	7,932.36	1,007,932.36	0.00	1.9	2.17	2.17
<b>CORPORATE CALLABLE</b>															
36962G6M1	675,000	GENERAL ELECTRIC CAP CORP 1.000% Due 12-11-15	Continuous	11-14-13	100.55	0.70	100.85	0.54	680,711.18	937.50	681,648.68	1,980.29	1.3	1.84	1.84
<b>MUNICIPALS</b>															
731418KU2	500,000	POLK MARION & BENTON SD 0.881% Due 06-15-16		02-01-13	100.01	0.88	100.39	0.71	501,970.00	562.86	502,532.86	1,916.73	0.9	2.34	2.34
<b>OR STATE POOL</b>															
ORPOOL	35,804,459	OREGON STATE POOL 0.540% Due 02-01-14		01-31-14	1.00	0.54	1.00	0.54	35,804,458.92	0.00	35,804,458.92	0.00	67.1	0.00	0.00
<b>TREASURY NOTES</b>															
912828RX0	2,000,000	UNITED STATES TREAS NTS 0.875% Due 12-31-16		12-09-13	100.59	0.67	100.55	0.69	2,010,938.00	1,498.62	2,012,436.62	-765.91	3.8	2.87	2.87
<b>TOTAL</b>	<b>53,271,318</b>					<b>0.58</b>		<b>0.56</b>	<b>53,322,853.37</b>	<b>33,459.12</b>	<b>53,356,312.48</b>	<b>15,288.36</b>	<b>100.0</b>	<b>0.72</b>	<b>0.48</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 01-01-14 To 01-31-14

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
<b>Buy long</b>							
01-31-14	01-31-14	ORPOOL	35,804,459	OREGON STATE POOL 0.540% Due 02-01-14		35,804,458.92	
01-31-14	01-31-14	CASH	10,065	CASH 0.100% Due 02-01-14		10,065.00	
01-31-14	01-31-14	CASH	1,091	CASH 0.100% Due 02-01-14		1,090.60	
						35,815,614.52	
<b>Deposit</b>							
01-31-14	01-31-14	manfee		Management Fee		1,500.00	
<b>Interest</b>							
01-19-14	01-19-14	CORV001CD		OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16		845.41	
01-28-14	01-28-14	3137EADJ5		FEDERAL HOME LOAN MTG CORP 1.000% Due 07-28-17		10,000.00	
01-31-14	01-31-14	CBANK3		Corvallis Wells Fargo 0.050% Due 02-01-14		161.87	
01-31-14	01-31-14	ORPOOL		OREGON STATE POOL 0.540% Due 02-01-14		16,988.46	
01-31-14	01-31-14	CASH		CASH 0.100% Due 02-01-14		0.01	
						27,995.75	
<b>Deliver out long</b>							
01-28-14		cash		Cash Account		10,000.00	
<b>Sell long</b>							
01-31-14	01-31-14	CBANK3	707,824	Corvallis Wells Fargo 0.050% Due 02-01-14		707,823.63	
01-31-14	01-31-14	ORPOOL	35,138,225	OREGON STATE POOL 0.540% Due 02-01-14		35,138,225.02	
01-31-14	01-31-14	CASH	9,590	CASH 0.100% Due 02-01-14		9,590.00	



## CITY OF CORVALLIS TOTAL TRANSACTION SUMMARY

From 01-01-14 To 01-31-14

<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>
01-31-14	01-31-14	CASH	1,045	CASH 0.100% Due 02-01-14		1,045.18	
						<hr/> 35,856,683.83	

**AMORTIZATION AND ACCRETION - SETTLED TRADES**  
**CITY OF CORVALLIS TOTAL**  
January 31, 2014

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>CORPORATE BONDS(Straight Line)</b>									
GENERAL ELECTRIC CAP CORP 1.000% Due 12-11-15 (36962G6M1)									
675,000	1	11-14-13	100.613	679,137.75	-170.44	-170.44	-406.87	-3,730.88	678,730.88
<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	-1.91	-21.73	-53.27	500,053.27
<b>TREASURY NOTE(Straight Line)</b>									
UNITED STATES TREAS NTS 0.875% Due 12-31-16 (912828RX0)									
2,000,000	1	12-09-13	100.613	2,012,265.62	-341.43	-341.43	-561.71	-11,703.91	2,011,703.91
<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	-1,362.89	-32,753.20	-27,810.80	2,027,810.80
<b>FHLMC(Straight Line)</b>									
FEDERAL HOME LOAN MTG CORP 1.000% Due 07-28-17 (3137EADJ5)									
2,000,000	1	12-09-13	99.875	1,997,494.00	58.69	58.69	96.56	2,409.44	1,997,590.56
<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	7.72	144.97	215.03	1,999,784.97
<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	53.08	844.18	1,655.82	1,998,344.18
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	91.73	1,278.25	2,771.75	2,997,228.25
Total				4,993,450.00	144.81	144.81	2,122.42	4,427.58	4,995,572.42
<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

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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**  
 January 31, 2014

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>CASH(Straight Line)</b>									
CASH 0.100% Due 02-01-14 (CASH)									
1,091	14	01-31-14	1.000	1,090.60	0.00	0.00	0.00	0.00	1,090.60
10,065	13	01-31-14	1.000	10,065.00	0.00	0.00	0.00	0.00	10,065.00
11,156				11,155.60	0.00	0.00	0.00	0.00	11,155.60
Corvallis Wells Fargo 0.050% Due 02-01-14 (CBANK3)									
2,280,704	13	12-31-13	1.000	2,280,703.67	0.00	0.00	0.00	0.00	2,280,703.67
Total				2,291,859.27	0.00	0.00	0.00	0.00	2,291,859.27
<b>POOL(Straight Line)</b>									
OREGON STATE POOL 0.540% Due 02-01-14 (ORPOOL)									
35,804,459	14	01-31-14	1.000	35,804,458.92	0.00	0.00	0.00	0.00	35,804,458.92
<b>GRAND TOTAL</b>				<b>53,338,944.56</b>	<b>-1,665.45</b>	<b>-1,665.45</b>	<b>-31,379.56</b>	<b>-36,246.81</b>	<b>53,307,565.00</b>

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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 12-31-13 To 01-31-14

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>CORPORATE</b>							
CORPORATE CALLABLE							
36962G6M1	GENERAL ELECTRIC CAP CORP 1.000% Due 12-11-15	375.00	0.00	0.00	0.00	562.50	937.50
		375.00	0.00	0.00	0.00	562.50	937.50
	CORPORATE Total	375.00	0.00	0.00	0.00	562.50	937.50
<b>MUNICIPALS</b>							
MUNICIPALS							
MUNICIPAL GENERAL OBLIGATION							
731418KU2	POLK MARION & BENTON SD 0.881% Due 06-15-16	195.78	0.00	0.00	0.00	367.08	562.86
		195.78	0.00	0.00	0.00	367.08	562.86
	MUNICIPALS Total	195.78	0.00	0.00	0.00	367.08	562.86
	MUNICIPALS Total	195.78	0.00	0.00	0.00	367.08	562.86
<b>TREASURY</b>							
TREASURY NOTES							
US TREASURY							
912828RX0	UNITED STATES TREAS NTS 0.875% Due 12-31-16	0.00	0.00	0.00	0.00	1,498.62	1,498.62
		0.00	0.00	0.00	0.00	1,498.62	1,498.62
	TREASURY NOTES Total	0.00	0.00	0.00	0.00	1,498.62	1,498.62
	TREASURY Total	0.00	0.00	0.00	0.00	1,498.62	1,498.62

**INTEREST ACCRUALS**  
**CITY OF CORVALLIS TOTAL**  
 From 12-31-13 To 01-31-14

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>AGENCY</b>							
AGENCY BULLET							
31398A4M1	FNMA FEDERAL NATL MTG ASSN 1.625% Due 10-26-15	5,868.06	0.00	0.00	0.00	2,708.33	8,576.39
		<hr/> 5,868.06	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 2,708.33	<hr/> 8,576.39
3137EADJ5	FHLMC FEDERAL HOME LOAN MTG CORP 1.000% Due 07-28-17	8,500.00	0.00	0.00	-10,000.00	1,666.67	166.67
		<hr/> 8,500.00	<hr/> 0.00	<hr/> 0.00	<hr/> -10,000.00	<hr/> 1,666.67	<hr/> 166.67
3133EAUH9	FFCB FEDERAL FARM CR BKS CONS 0.750% Due 06-14-16	708.33	0.00	0.00	0.00	1,250.00	1,958.33
		<hr/> 708.33	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 1,250.00	<hr/> 1,958.33
	AGENCY BULLET Total	<hr/> 15,076.39	<hr/> 0.00	<hr/> 0.00	<hr/> -10,000.00	<hr/> 5,625.00	<hr/> 10,701.39
AGENCY CALLABLE							
3133EC3F9	FFCB FEDERAL FARM CR BKS CONS 0.550% Due 08-26-16	5,729.17	0.00	0.00	0.00	1,375.00	7,104.17
3133EA2D9	FEDERAL FARM CR BKS CONS 0.680% Due 09-26-16	3,588.89	0.00	0.00	0.00	1,133.33	4,722.22
		<hr/> 9,318.06	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 2,508.33	<hr/> 11,826.39
	AGENCY CALLABLE Total	<hr/> 9,318.06	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> 2,508.33	<hr/> 11,826.39
	AGENCY Total	<hr/> 24,394.44	<hr/> 0.00	<hr/> 0.00	<hr/> -10,000.00	<hr/> 8,133.33	<hr/> 22,527.78

**INTEREST ACCRUALS**  
**CITY OF CORVALLIS TOTAL**  
 From 12-31-13 To 01-31-14

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>CERTIFICATE OF DEPOSIT</b>							
CERTIFICATE OF DEPOSITS							
CERTIFICATE OF DEPOSITS							
CORV001CD	OSU FEDERAL CREDIT UNION CD 0.995% Due 04-19-16	7,075.56	0.00	0.00	-845.41	1,702.22	7,932.36
		<hr/> 7,075.56	<hr/> 0.00	<hr/> 0.00	<hr/> -845.41	<hr/> 1,702.22	<hr/> 7,932.36
	CERTIFICATE OF DEPOSIT Total	<hr/> 7,075.56	<hr/> 0.00	<hr/> 0.00	<hr/> -845.41	<hr/> 1,702.22	<hr/> 7,932.36
	CERTIFICATE OF DEPOSIT Total	<hr/> 7,075.56	<hr/> 0.00	<hr/> 0.00	<hr/> -845.41	<hr/> 1,702.22	<hr/> 7,932.36
<b>CASH</b>							
CASH & EQUIVALENTS							
CASH							
CASH	CASH 0.100% Due 02-01-14	0.00	0.00	0.00	-0.01	0.01	0.00
CBANK3	Corvallis Wells Fargo 0.050% Due 02-01-14	0.00	0.00	0.00	-161.87	161.87	0.00
		<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> -161.88	<hr/> 161.88	<hr/> 0.00
	CASH & EQUIVALENTS Total	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> -161.88	<hr/> 161.88	<hr/> 0.00
<b>OR STATE POOL</b>							
STATE INVESTMENT POOL							
ORPOOL	OREGON STATE POOL 0.540% Due 02-01-14	0.00	0.00	0.00	-16,988.46	16,988.46	0.00
		<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> -16,988.46	<hr/> 16,988.46	<hr/> 0.00
	OR STATE POOL Total	<hr/> 0.00	<hr/> 0.00	<hr/> 0.00	<hr/> -16,988.46	<hr/> 16,988.46	<hr/> 0.00



**INTEREST ACCRUALS**  
**CITY OF CORVALLIS TOTAL**  
From 12-31-13 To 01-31-14

<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>
CASH Total		0.00	0.00	0.00	-17,150.34	17,150.34	0.00
<b>TOTAL PORTFOLIO</b>		<b>32,040.78</b>	<b>0.00</b>	<b>0.00</b>	<b>-27,995.75</b>	<b>29,414.09</b>	<b>33,459.12</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  
JANUARY 2014**

	Receipts (1)	Disbursements (2)	Net
Actual Activity	6,997,981	6,622,775	375,206
Average of Prior Three Years (3)	5,424,032	6,406,880	(982,848)
<b>Difference</b>	<b>1,573,949</b>	<b>215,895</b>	<b>1,358,054</b>

(1) Receipts represent all revenues recorded for the month, including any property taxes, fees, charges for service, interest earnings, grants, etc. Higher than average cash inflows reflect increases in service charges, intergovernmental revenue, federal grants, license & permit receipts, and community development receipts. Community Development alone accounts for 1/3 of the increase over average, being driven by Fire, Life & Safety Plan and Building Plan review revenue, an increase driven by construction of a new classroom building and student experience center at Oregon State University.

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

(3) In previous years, the cash flow summary has been a comparison of actual activity to scheduled/budgeted cashflow. As of FY13-14, 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 January 2014**

<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 (2)	16,767,277.27	11,297.12	509	Water Construction (1)	579,748.61	-
201	Street	440,504.95	94.92	520	Wastewater	1,424,267.82	371.79
208	Street SDC	2,777,097.19	1,275.17	528	Wastewater SDC	10,397,921.88	4,827.35
218	Parks SDC	2,803,832.49	1,295.80	529	Wastewater Construction (1)	198,561.24	-
220	911	658,484.97	147.77	540	Storm Water	898,979.57	174.33
230	Development Services	2,115,338.52	498.05	548	Storm Water SDC	108,146.50	50.04
250	Comm Dev Revolving (3)	(134,651.22)	(66.78)	549	Storm Water Construction (1) (3)	(150,984.47)	-
260	Parking	1,002,517.09	234.16	560	Airport	562,471.63	258.51
270	Transit	1,936,629.13	451.25	569	Airport Construction (1) (3)	(20.15)	-
301	Capital Improvement	37,514.33	15.82	610	Fleet Maintenance	77,361.82	18.22
401	General Obligation Debt Service	867,444.49	201.16	615	Facility Maintenance	202,618.20	46.82
460	Davidson Library	5,523.45	2.55	620	Technology & Communications	565,700.09	131.55
501	Water	1,387,550.36	461.67	625	Administrative Services	457,120.49	104.15
502	Water Timber	395,286.77	92.07	630	Risk Management	1,048,683.98	232.70
508	Water SDC	5,715,462.02	2,655.41				
<b>Total</b>						<b>53,146,389.04</b>	<b>24,871.60</b>

\* 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.

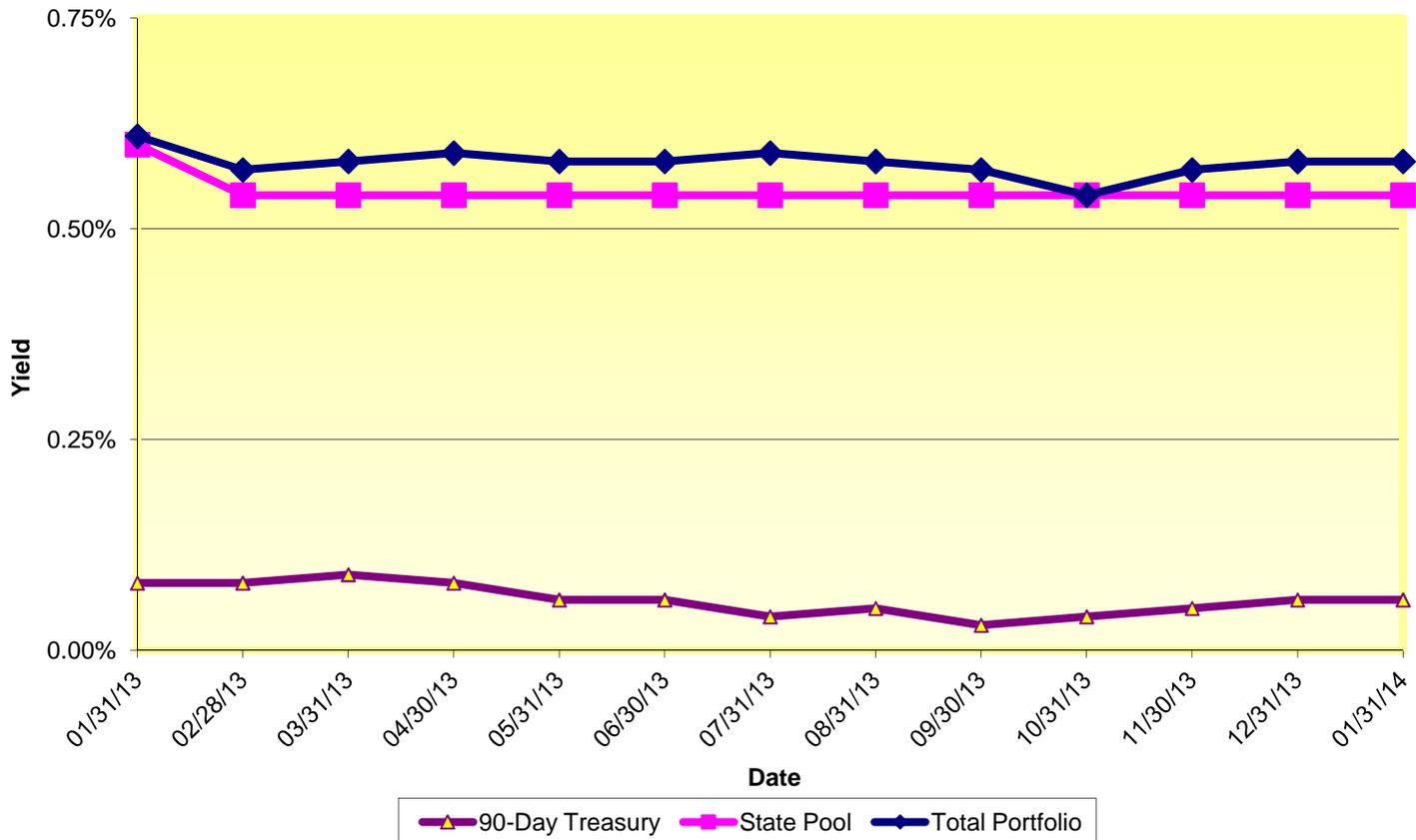
(1) Interest based on construction component fund cash balances for 509, 529, 549, & 569 is distributed to the related operations fund.

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

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



## City of Corvallis Total Portfolio vs. Benchmark Jan 2013 - Jan 2014

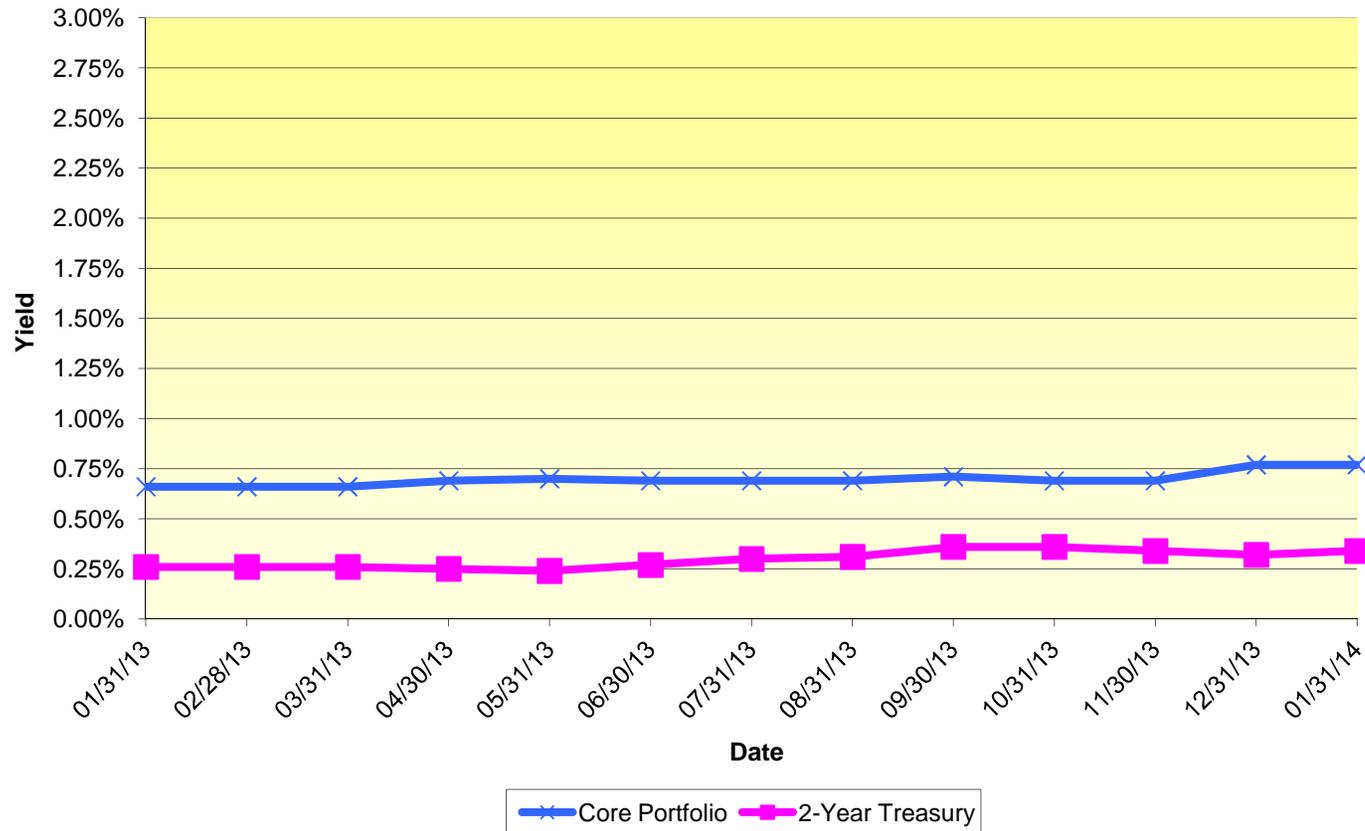




# City of Corvallis

## Core Portfolio vs. Benchmark

### Jan 2013 - Jan 2014





# City of Corvallis

## Cash & Investments

