



AGENDA

City of Texarkana, Texas
Regular Meeting of the Investment Committee
Thursday, November 20, 2014 at 9:00 A.M.
Municipal Building, 220 Texas Blvd., Texarkana, TX 75501

COMMITTEE MEMBERS

- Council Member (appointed by the Mayor) Bob Bruggeman, Mayor
- City CEO/Manager John Whitson (or designee) _____
- City CFO/Finance Director Charles L. Bassett, Jr.
- City Financial Services Manager Kristin Peeples
- WU Finance Director Jim Cornelius
- WU Accounting/Human Resources Manager Paula Jeans

OTHER ATTENDEES

- City Controller/Accounting Manager Jodie Lee
- Investment Advisor - Valley View Consulting Bill Koch & Tom Ross (via conference call)

A. CALL TO ORDER (General Comments)

B. MINUTES

1. Consider approval of the minutes of the Investment Committee meeting on August 18, 2014.

C. NEW BUSINESS

1. Receive a presentation of the Quarterly Investment Report for the period ending September 30, 2014, and take action as necessary.
2. Review the Collateral Report for the period ending September 30, 2014.
3. Execute Investment Report cover page.
4. Discuss the market outlook and appropriate investment strategy.
5. Schedule the next Investment Committee meeting on _____.
6. Other.

D. ADJOURNMENT

Attachments:

Minutes

Investment Report

Collateral Report

Market Outlook

Investment Committee Meeting August 18, 2014

Present: Charles L. Bassett, Jr., Chief Financial Officer
Jim Cornelius, Interim Finance Director, TWU
Jodie Lee, Controller/Accounting Manager
Paula Jeans, Accounting/HR Manager, TWU
John Whitson, City Manager
Dick Long, Valley View Consulting (via conference call)

Absent: Bob Bruggeman, Mayor

- Jim Cornelius made a motion to approve the minutes from the May 6, 2014 meeting. Paula Jeans seconded the motion.
- Dick Long presented the investment report for the quarter ended June 30, 2014.
 - Investments consist of 79% DDA/MMA/Pools and 21% CDs/Securities for the City and 89% DDA/MMA/Pools and 11% CDs/Securities for TWU.
 - The committee reviewed the collateral report and it was noted that all funds are well collateralized.
- The committee discussed the market outlook and investment strategies. Dick Long asked if anyone had money to put into CD's and noted they were our better choice.
- Review of the Investment Policy. A note was made that Kristin Peoples title needs to be changed to Financial Services Manager. The Investment Policy needs to be approved by the end of the quarter ended September 30, 2014.
 - Motion was made by Jim Cornelius to accept the authorized investment list. John Whitson seconded the motion.
- The next investment committee meeting is scheduled for November 17, 2014 at 2:00 P.M.
- Meeting adjourned.

City of Texarkana, Texas

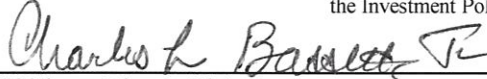
QUARTERLY INVESTMENT REPORT

For the Quarter Ended
September 30, 2014

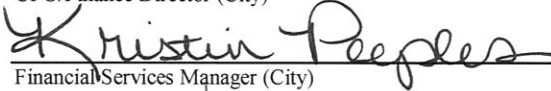
Prepared by

Valley View Consulting, L.L.C.

The investment portfolio of the City of Texarkana, TX is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.




CFO/Finance Director (City)



Financial Services Manager (City)



Controller/Accounting Manager (City)



Director of Finance (Water Utilities Department)

Accounting/Human Resources Manager (Water Utilities Department)

Disclaimer: These reports were compiled using information provided by the City. No procedures were performed to test the accuracy or completeness of this information. The market values included in these reports were obtained by Valley View Consulting, L.L.C. from sources believed to be accurate and represent proprietary valuation. Due to market fluctuations these levels are not necessarily reflective of current liquidation values. Yield calculations are not determined using standard performance formulas, are not representative of total return yields and do not account for investment advisor fees.

City of Texarkana, Texas Annual Comparison of Portfolio Performance

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded +/-10 bps). The FOMC systematically tapered Quantitative Easing (QE3) from \$85 billion per month to \$15 billion. Although the target unemployment rate below 6.5% was achieved, the FOMC is still concerned with broader employment weaknesses. Inflation is still below the 2.0% and 2.5% target, allowing additional flexibility. Overall US economic activity remains low to moderate with average annual GDP 2.0 to 3.0%. The US stock markets maintained their bullish tone, pushing to new highs. International economic underperformance and military conflict casts uncertainty and have resulted in some late stock market and interest rate decreases. Financial institution deposits and laddering targeted cash flows still provide the best interest earnings opportunity, although government securities are becoming more attractive.

FYE Results by Investment Category:

Asset Type	September 30, 2013		September 30, 2014	
	Book Value	Market Value	Book Value	Market Value
DDA/MMA/Pools	\$ 32,227,931	\$ 32,227,931	\$ 34,020,277	\$ 34,020,277
CDs/Securities	3,780,276	3,780,276	4,773,266	4,773,266
Totals	\$ 36,008,206	\$ 36,008,206	\$ 38,793,544	\$ 38,793,544

	2013	2014	Change
Total Portfolio	0.38%	0.36%	-0.02%
Rolling Three Mo. Treas. Yield	0.07%	0.04%	-0.03%
Rolling Six Mo. Treas. Yield	0.11%	0.07%	-0.04%
Quarterly TexPool Yield	0.09%	0.03%	-0.06%

(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

Strategy Summary:

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded <10 bps). The FOMC continued tapering the Quantitative Easing (QE3) program to \$15 billion per month. Tapering is anticipated to eliminate the program in October. Second quarter 2014 GDP was a strong 4.6% and first quarter was revised up to (2.1%). Employment data remains key as the FOMC focuses on wage growth, under-employment and overall participation. The US stock markets again touched new highs, but have recently retrenched. International economical and political struggles weigh on US interest rates. Financial institution deposit yields generally provide the best interest earnings opportunity, although spreads to security yields have tightened.

City Funds		September 30, 2014		June 30, 2014	
<u>Asset Type</u>	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
DDA/MMA/Pools	0.27%	\$ 14,489,426	\$ 14,489,426	\$ 18,361,044	\$ 18,361,044
CDs/Securities	0.67%	5,010,844	5,010,844	4,997,227	4,997,227
Totals		\$ 19,500,269	\$ 19,500,269	\$ 23,358,270	\$ 23,358,270
Total Portfolio Average	0.38%				
Fiscal Year-to-Date Average Yield (2)	0.34%				
Quarterly Interest Income	\$ 19,654				
Year-to-date Interest Income	\$ 65,840				

Water Utility		September 30, 2014		June 30, 2014	
<u>Asset Type</u>	<u>Ave. Yield</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
DDA/MMA/Pools	0.37%	\$ 11,316,486	\$ 11,316,486	\$ 12,319,761	\$ 12,319,761
CDs/Securities	0.70%	2,500,000	2,500,000	1,500,000	1,500,000
Totals		\$ 13,816,486	\$ 13,816,486	\$ 13,819,761	\$ 13,819,761
Total Portfolio Average	0.43%				
Fiscal Year-to-Date Average Yield (2)	0.41%				
Quarterly Interest Income	\$ 13,570				
Year-to-date Interest Income	\$ 38,077				

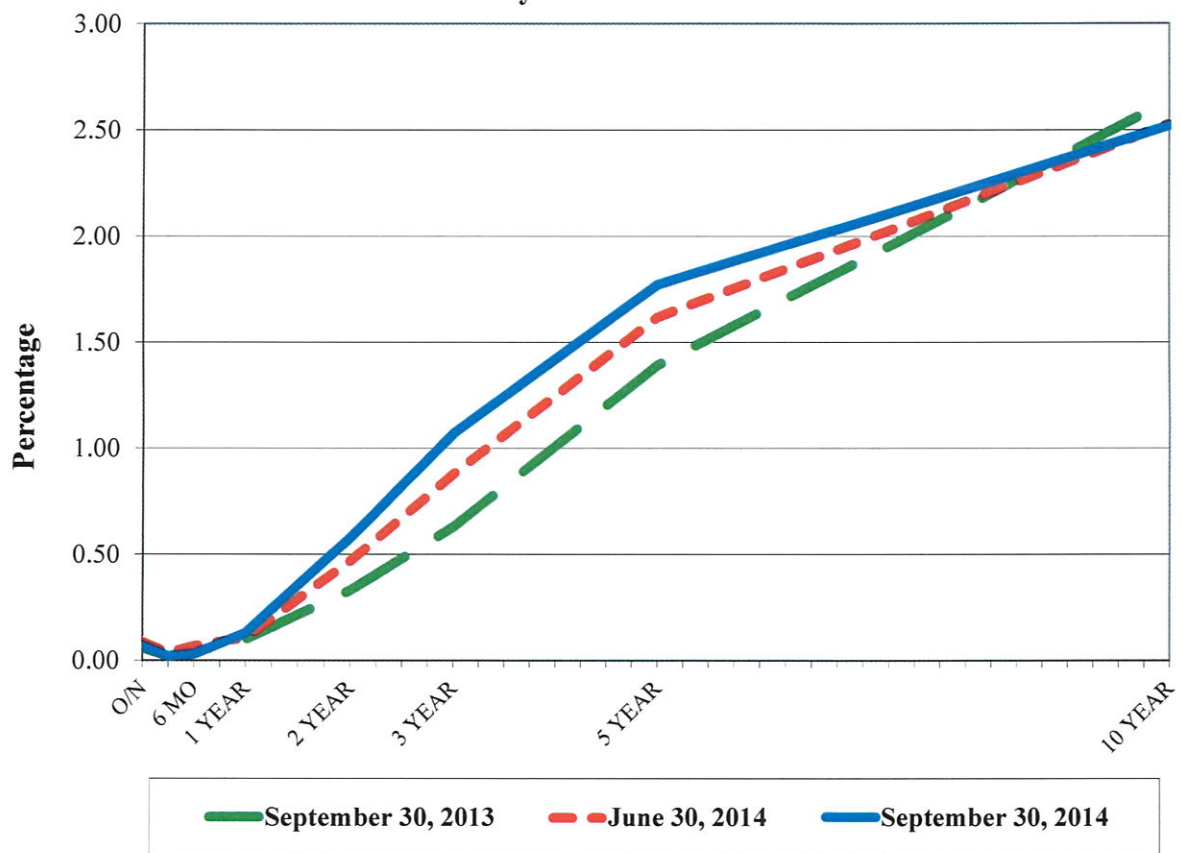
	QTR		YTD
Rolling Three Mo. Treas. Yield	0.03%	Rolling Three Mo. Treas. Yield	0.04%
Rolling Six Mo. Treas. Yield	0.07%	Rolling Six Mo. Treas. Yield	0.07%
		Quarterly TexPool Yield	0.03%

(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

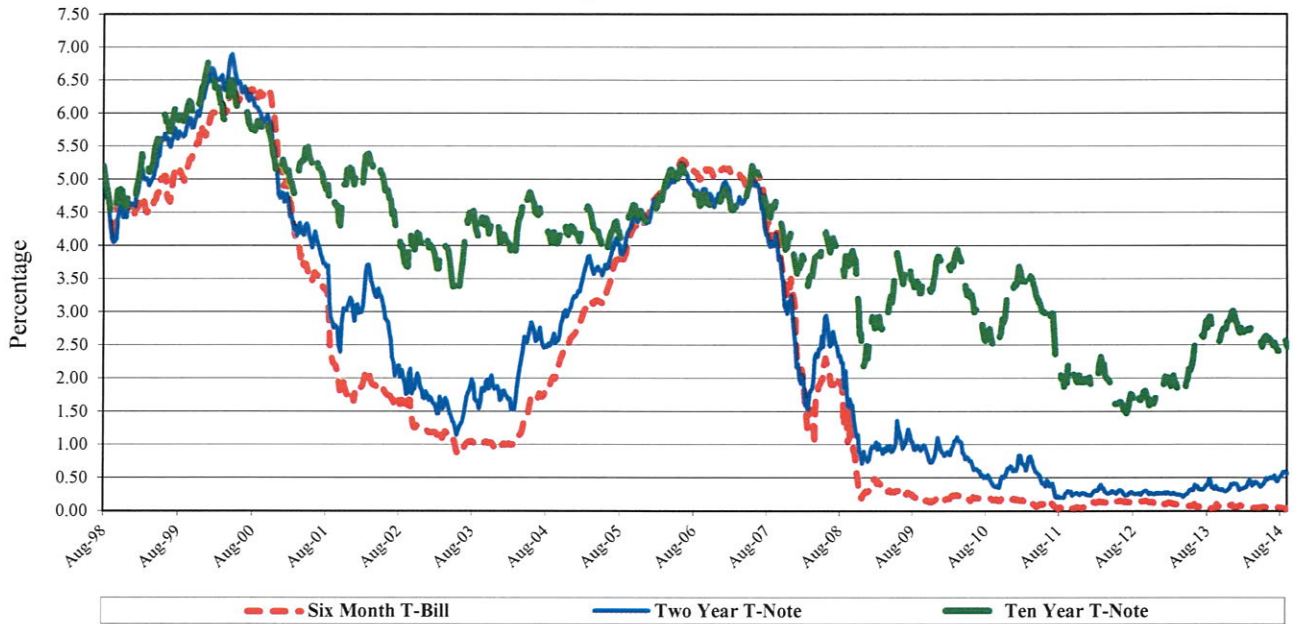
(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

Valley View Consulting, L.L.C. currently provides advisory services to the City.

Treasury Yield Curves



US Treasury Historical Yields



S&P 500



Detail of Investment Holdings September 30, 2014

City Funds

Description	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Guaranty B&T MMA	0.30%	10/01/14	09/30/14	\$ 11,162,590	\$ 11,162,590	1.00	\$ 11,162,590	1	0.30%
Southside Bank MMA	0.18%	10/01/14	09/30/14	3,326,836	3,326,836	1.00	3,326,836	1	0.18%
Farmers Bank & Trust CD	0.60%	02/24/15	02/24/14	2,501,701	2,501,701	100.00	2,501,701	147	0.60%
Commercial National Bank CD	0.55%	03/04/15	09/04/13	1,005,511	1,005,511	100.00	1,005,511	155	0.55%
Farmers Bank & Trust CD	0.60%	05/01/15	05/01/14	501,012	501,012	100.00	501,012	213	0.60%
Farmers Bank & Trust CD	0.90%	02/24/16	02/24/14	502,620	502,620	100.00	502,620	512	0.90%
Guaranty Bank & Trust CD	1.15%	09/15/16	09/15/14	500,000	500,000	100.00	500,000	716	1.15%
				\$ 19,500,269	\$ 19,500,269		\$ 19,500,269	65	0.38%

Water Utility

Description	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo MMA	0.43%	10/01/14	09/30/14	\$ 5,735,778	\$ 5,735,778	1.00	\$ 5,735,778	1	0.43%
Guaranty Bond MMA	0.30%	10/01/14	09/30/14	5,580,709	5,580,709	1.00	5,580,709	1	0.30%
Farmers Bank & Trust CD	0.60%	02/24/15	02/24/14	1,000,000	1,000,000	100.00	1,000,000	147	0.60%
Farmers Bank & Trust CD	0.90%	02/24/16	02/24/14	500,000	500,000	100.00	500,000	512	0.90%
Farmers Bank & Trust CD	0.70%	03/05/16	09/05/14	1,000,000	1,000,000	100.00	1,000,000	522	0.70%
				\$ 13,816,486	\$ 13,816,486		\$ 13,816,486	68	0.43%

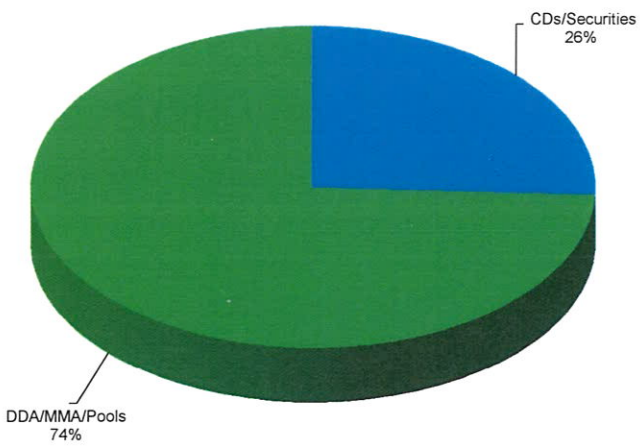
Combined Portfolio

				\$ 33,316,756	\$ 33,316,756		\$ 33,316,756	66	0.40%
								(1)	(2)

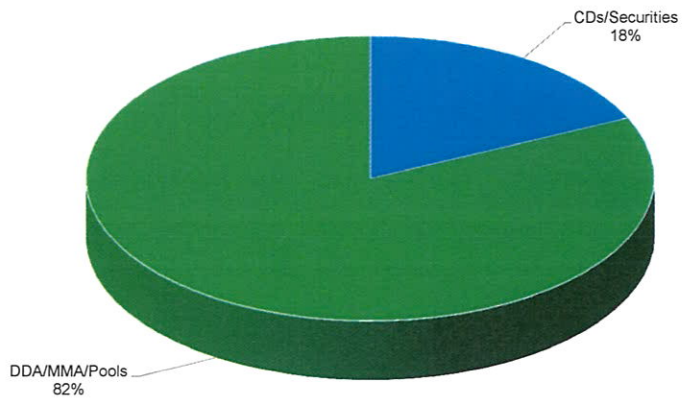
(1) Weighted average life - For purposes of calculating weighted average life, cash equivalent investments are assumed to have a one day maturity.

(2) Weighted average yield to maturity - The weighted average yield to maturity is based on adjusted book value, realized and unrealized gains/losses and investment advisory fees are not

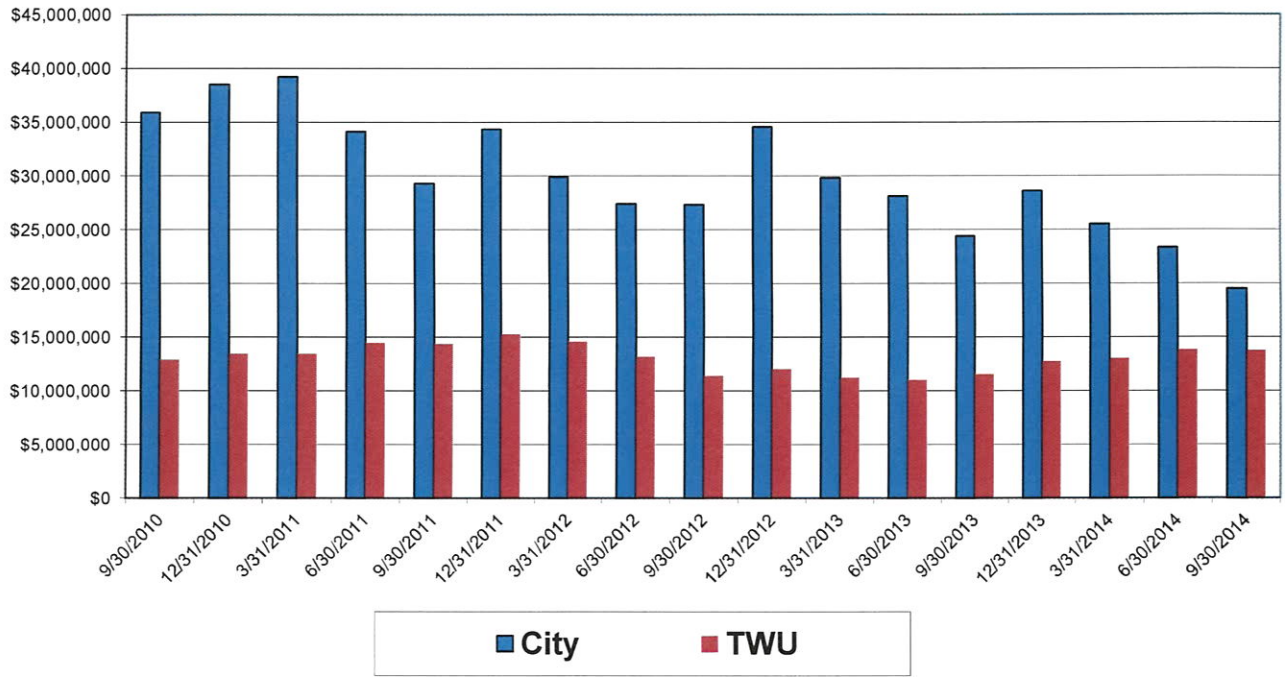
City Portfolio Composition



TWU Portfolio Composition



Quarter End Portfolio



Book Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2014		Purchases/ Adjustments	Sales/Adjust/ Maturities	September 30, 2014	
			Par Value	Book Value			Par Value	Book Value
Wells Fargo MMA	0.45%	10/01/14	\$ 6,503,969	\$ 6,503,969	\$ -	\$ (768,191)	\$ 5,735,778	\$ 5,735,778
Guaranty B&T MMA	0.30%	10/01/14	20,851,536	20,851,536		(4,108,238)	16,743,298	16,743,298
Southside Bank MMA	0.18%	10/01/14	3,325,300	3,325,300	1,536		3,326,836	3,326,836
Commercial National Bank CD	0.40%	09/04/14	501,497	501,497		(501,497)		
Farmers Bank & Trust CD	0.60%	02/24/15	2,493,000	2,493,000			2,501,701	2,501,701
Farmers Bank & Trust CD	0.60%	02/24/15	1,000,000	1,000,000			1,000,000	1,000,000
Commercial National Bank CD	0.55%	03/04/15	1,002,729	1,002,729			1,005,511	1,005,511
Farmers Bank & Trust CD	0.60%	05/01/15	500,000	500,000			501,012	501,012
Farmers Bank & Trust CD	0.90%	02/24/16	500,000	500,000			502,620	502,620
Farmers Bank & Trust CD	0.90%	02/24/16	500,000	500,000			500,000	500,000
Farmers Bank & Trust CD	0.70%	03/05/16			1,000,000		1,000,000	1,000,000
Guaranty Bank & Trust CD	1.15%	09/15/16			500,000		500,000	500,000
TOTAL			\$ 37,178,032	\$ 37,178,032	\$ 1,501,536	\$ (5,377,927)	\$ 33,316,756	\$ 33,316,756

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2014		Qtr to Qtr Change	September 30, 2014	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo MMA	0.45%	10/01/14	\$ 6,503,968.77	\$ 6,503,968.77	\$ (768,191.21)	\$ 5,735,777.56	\$ 5,735,777.56
Guaranty B&T MMA	0.30%	10/01/14	20,851,536	20,851,536	(4,108,238)	16,743,298	16,743,298
Southside Bank MMA	0.18%	10/01/14	3,325,300	3,325,300	1,536	3,326,836	3,326,836
Commercial National Bank CD	0.40%	09/04/14	501,497	501,497	(501,497)		
Farmers Bank & Trust CD	0.60%	02/24/15	2,493,000	2,493,000	8,701	2,501,701	2,501,701
Farmers Bank & Trust CD	0.60%	02/24/15	1,000,000	1,000,000	-	1,000,000	1,000,000
Commercial National Bank CD	0.55%	03/04/15	1,002,729	1,002,729	2,782	1,005,511	1,005,511
Farmers Bank & Trust CD	0.60%	05/01/15	500,000	500,000	1,012	501,012	501,012
Farmers Bank & Trust CD	0.90%	02/24/16	500,000	500,000	2,620	502,620	502,620
Farmers Bank & Trust CD	0.90%	02/24/16	500,000	500,000	-	500,000	500,000
Farmers Bank & Trust CD	0.70%	03/05/16			1,000,000	1,000,000	1,000,000
Guaranty Bank & Trust CD	1.15%	09/15/16			500,000	500,000	500,000
TOTAL			\$ 37,178,032	\$ 37,178,032	\$ (3,861,276)	\$ 33,316,756	\$ 33,316,756

City Fund Allocation
Book & Market Value

September 30, 2014

Fund #	Fund Name	Total	Guaranty Bond	Southside Bank MMA	0.60 Farmers B&T CD 2/24/14 - 2/24/15	0.55 CNB CD 9/4/2013 - 3/4/15	0.60 Farmers B&T CD 5/1/14 - 5/1/15	0.90 Farmers B&T CD 2/24/14 - 2/24/16	1.15 GB&T CD 9/15/14 - 9/15/16
101	GENERAL FUND - Pooled Cash	\$ 5,443,970	\$ 2,032,035	\$ 1,402,059	\$ 501,745	\$ 1,005,511	\$ -	\$ 502,620	\$ -
101	GENERAL FUND	3,631	3,631						
101	GENERAL FUND	-	-						
102	NARCOTICS DIVISION OPERATIONS	159,458	159,458						
103	PERSONNEL POLICY	792,214	792,214						
104	WORKER'S COMP	474,863	474,863						
105	PAYROLL DISBURSEMENT FUND	-	-						
106	A/P DISBURSEMENT FUND	-	-						
107	COURT SECURITY FUND	323,113	323,113						
108	TUTD PAYROLL ACCOUNT	560	560						
109	GENERAL PROPERTY & LIAB	85,578	85,578						
110	BIC	-	-						
111	POLICE EVIDENCE ESCROW FUND	16,834	16,834						
113	ENERGY CONSERVATION REVOLVING LOAN	27,255	27,255						
114	COURT TECHNOLOGY FUND	18,059	18,059						
115	TECHNOLOGY FUND	22,490	22,490						
116	TIRZ #2	206,529	206,529						
201	SUPPORTIVE HOUSING GRANT	-	-						
202	POLICE DOG FUND	-	-						
203	CDBG REVOLVING LOAN FUND	11,382	11,382						
204	HCD FUND	0	0						
205	EPA PETROLEUM GRANT	-	-						
206	EPA JOB TRAINING GRANT	1,971	1,971						
207	EPA REVOLVINGLOAN GRANT	3,845	3,845						
208	EPA MULTI-PURPOSE GRANT	26,760	26,760						
209	HOME PROGRAM	34,393	34,393						
210	TEEN COURT	-	-						
211	THEATRE FUND	81,538	81,538						
212	HOTEL/MOTEL TAX FD	43,857	43,857						
213	PEROT THEATRE BLDG MAINT	664,298	163,287				501,012		
215	HOUSING FUND	256,047	256,047						
217	LAW ENFORCEMENT BLOCK GRANT	1,179	1,179						
219	LAW ENFORCEMENT PROGRAM	13,322	13,322						
220	METRO PLANNING ORG	-	-						
221	TEXARKANA URBAN TRANSIT	-	-						
223	ECONOMIC DEVELOPMENT	1,205,387	705,387						500,000
224	JAG - RECOVERY ACT GRANTS	-	-						
225	EPA BROWNFIELD GRANT	-	-						
226	STORMWATER MANAGEMENT	-	-						
230	ROTARY SPLASH PARK FUND	-	-						
301	INTEREST & SINKING	13,899	13,899						
415	2003 BOND FUND	197,447	197,447						
417	2005 BOND FUND	724,177	724,177						
418	2008 TAX NOTE	-	-						
420	2009 BOND FUND	2,517,914	999,567	1,518,347					
421	2010 CONV CTR BOND FUND	-	-						
422	TIRZ BOND FUND	3,115,744	709,358	406,430	1,999,956				
501	HEALTH FUND	242,854	242,854						
502	PUBLIC LIBRARY	46,427	46,427						
503	PUBLIC HEALTH PERS POLICY	-	-						
509	HEALTH PROPERTY & LIAB	-	-						
601	DRUG ESCROW	23,650	23,650						
605	FEDERAL ASSET FORFEITURE	90,193	90,193						
701	EMPLOYEE BENEFIT	1,807,008	1,807,008						
702	BENEFIT PAYMENT	-	-						
703	FLEET SERVICES	362,054	362,054						
704	CAPITAL REPLACEMENT	375,672	375,672						
810	MEMBER CITY WATER REVENUE	64,695	64,695						
TOTAL		\$ 19,500,269	\$ 11,162,690	\$ 3,326,836	\$ 2,501,701	\$ 1,005,511	\$ 501,012	\$ 502,620	\$ 500,000

Water Fund Allocation
September 30, 2014

Book & Market Value	Total	Revenue	Customer Loan	Water Plant Construction	Technology	2004 Bond	2004 Construction	2005 Bond	2013 Bond	2013 Construction
Wells Fargo MMA	\$ 5,735,778	\$ 10,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Guaranty Bond MMA	5,580,709	722,337	39,916	45	679,720	32,817	2,907	34,962	30,978	262,410
2/24/2016	1,000,000									
2/24/2016	500,000									
3/5/2016	1,000,000									
	\$ 13,816,486	\$ 732,444	\$ 39,916	\$ 45	\$ 679,720	\$ 32,817	\$ 2,907	\$ 34,962	\$ 30,978	\$ 262,410

**Water Fund Allocation
September 30, 2014**

Book & Market Value	LTWSC Capital Improvement	Capital Improvement	Compost	Customer Deposit	Equipment Acquisition	Infrastructure	Personnel	Reserve	WWTP Depreciation	Waggoner Creek CIP
Wells Fargo MMA	\$ 673,521	\$ 978,738	\$ -	\$ 133,901	\$ 670,979	\$ 630,271	\$ -	\$ 678,418	\$ 278,003	\$ 1,681,840
Guaranty Bond MMA	178,543	1,500,874	316,721	110,380	336,648	403,654	114,123	22,169	229,367	562,136
2/24/2016			360,000	100,000		540,000				
2/24/2016				400,000		100,000				
3/5/2016						500,000				500,000
	\$ 852,064	\$ 2,479,612	\$676,721	\$ 744,281	\$ 1,007,627	\$ 2,173,925	\$ 114,123	\$ 700,588	\$ 507,370	\$ 2,743,976

City Fund Allocation
Book & Market Value

June 30, 2014

Fund #	Fund Name	Total	Guaranty Bond MMA	Southside Bank MMA	0.40 CNB CD 9/4/13 - 9/4/14	0.60 Farmers B&T CD 2/24/14 - 2/24/15	0.55 CNB CD 9/4/2013 - 3/4/15	0.60 Farmers B&T CD 5/1/14 - 5/1/15	0.90 Farmers B&T CD 2/24/14 - 2/24/16
101	GENERAL FUND - Pooled Cash	6,407,674	\$ 3,003,533	\$ 1,401,412	\$ -	\$ 500,000	\$ 1,002,729	\$ -	\$ 500,000
101	GENERAL FUND	3,628	3,628						
102	NARCOTICS DIVISION OPERATIONS	159,313	159,313						
103	PERSONNEL POLICY	507,605	507,605						
104	WORKER'S COMP	447,226	447,226						
107	COURT SECURITY FUND	318,099	318,099						
108	TUTD PAYROLL ACCOUNT	560	560						
109	GENERAL PROPERTY & LIAB	97,058	97,058						
110	BIC	41,233	41,233						
111	POLICE EVIDENCE ESCROW FUND	19,311	19,311						
113	ENERGY CONSERVATION REVOLVING LOAN	26,464	26,464						
114	COURT TECHNOLOGY FUND	10,624	10,624						
115	TECHNOLOGY FUND	39,698	39,698						
116	TIRZ #2	392,821	392,821						
201	SUPPORTIVE HOUSING GRANT	39	39						
203	CDBG REVOLVING LOAN FUND	7,293	7,293						
204	HCD FUND	9	9						
205	EPA PETROLEUM GRANT	517	517						
206	EPA JOB TRAINING GRANT	1,969	1,969						
208	EPA MULTI-PURPOSE GRANT	21,020	21,020						
209	HOME PROGRAM	33,429	33,429						
211	THEATRE FUND	68,473	68,473						
212	HOTEL/MOTEL TAX FD	410,313	410,313						
213	PEROT THEATRE BLDG MAINT	697,838	197,838					500,000	
215	HOUSING FUND	255,686	255,686						
217	LAW ENFORCEMENT BLOCK GRANT	1,178	1,178						
219	LAW ENFORCEMENT PROGRAM	14,932	14,932						
223	ECONOMIC DEVELOPMENT	1,266,090	764,593		501,497				
301	INTEREST & SINKING	1,277,160	1,277,160						
415	2003 BOND FUND	251,429	251,429						
417	2005 BOND FUND	723,629	723,629						
420	2009 BOND FUND	3,576,086	2,058,440	1,517,646					
422	TIRZ BOND FUND	3,109,466	710,224	406,242		1,993,000			
501	HEALTH FUND	244,578	244,578						
502	PUBLIC LIBRARY	66,233	66,233						
601	DRUG ESCROW	23,656	23,656						
605	FEDERAL ASSET FORFEITURE	90,125	90,125						
701	EMPLOYEE BENEFIT	1,885,054	1,885,054						
702	BENEFIT PAYMENT	35	35						
703	FLEET SERVICES	300,165	300,165						
704	CAPITAL REPLACEMENT	492,046	492,046						
810	MEMBER CITY WATER REVENUE	68,509	68,509						
TOTAL		\$ 23,358,270	\$ 15,035,744	\$ 3,325,300	\$ 501,497	\$ 2,493,000	\$ 1,002,729	\$ 500,000	\$ 500,000

Water Fund Allocation
June 30, 2014

Book & Market Value	Total	Revenue	Customer		Water Plant Construction	Technology	2004			2013	
			Loan	Construction			Construction	2005 Bond	2013 Bond	Construction	
Wells Fargo MMA	\$ 6,503,969	\$ 10,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Guaranty Bond MMA	5,815,792	494,925	39,886	45	619,673	72,850	2,905	192,424	127,736	262,212	-
2/24/2016	1,000,000										
2/24/2016	500,000										
	\$ 13,819,761	\$ 505,022	\$ 39,886	\$ 45	\$ 619,673	\$ 72,850	\$ 2,905	\$ 192,424	\$ 127,736	\$ 262,212	

**Water Fund Allocation
June 30, 2014**

Book & Market Value	LTWSC Capital Improvement	Capital Improvement	Compost	Customer Deposit	Equipment Acquisition	Infrastructure	Personnel	Reserve	WWTP Depreciation	Waggoner Creek CIP
Wells Fargo MMA	\$ 672,791	\$ 977,678	\$ -	\$ 133,756	\$ 670,252	\$ 1,129,182	\$ -	\$ 677,718	\$ 277,702	\$ 1,954,795
Guaranty Bond MMA	264,262	1,364,416	265,944	126,077	602,161	441,384	127,948	22,153	289,629	499,163
2/24/2016			360,000	100,000		540,000				
2/24/2016				400,000		100,000				
	\$ 937,053	\$ 2,342,094	\$ 625,944	\$ 759,832	\$ 1,272,413	\$ 2,210,565	\$ 127,948	\$ 699,870	\$ 567,331	\$ 2,453,958

Collateral Position

September 30, 2014

	CITY				WATER UTILITY		
	Guaranty B&T	Southside Bank	Farmers B&T	Commercial National Bank	Wells Fargo	Farmers B&T	Guaranty B&T
Collateral Value	\$ 13,196,303	\$ 4,468,322	\$ 3,710,000	\$ 1,027,040	\$ 6,249,132	\$ 2,650,000	\$ 5,883,673
+ FDIC Insurance	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total Enhancement	\$ 13,446,303	\$ 4,718,322	\$ 3,960,000	\$ 1,277,040	\$ 6,499,132	\$ 2,900,000	\$ 6,133,673
Total Deposits	\$ 11,662,590	\$ 3,326,836	\$ 3,505,332	\$ 1,005,511	\$ 5,735,778	\$ 2,500,000	\$ 5,580,709
Excess Coverage	\$ 1,783,713	\$ 1,391,486	\$ 454,668	\$ 271,529	\$ 763,354	\$ 400,000	\$ 552,964
Percentage Coverage	115%	142%	113%	127%	113%	116%	110%
Collateral Type:							
Treasuries							
Agency Bullets							
Agency Callable							
Agency LOC							
Munis	\$ 1,375,465	\$ 4,468,322	\$ 3,710,000			\$ 2,650,000	\$ 719,129
Mortgage Backed Securities	\$ 11,820,838				\$ 6,249,132		\$ 5,164,544
Real Estate Mortgage Investment							
Conduits/ Collateralized Mortgage							
Obligations (1)				\$ 1,027,040			

(1) The Public Funds Collateral Act requires all REMIC/CMOs to have an expected weighted average life of 10 years or less and not constitute a high-risk security as determined by a 300 basis point market movement stress test.

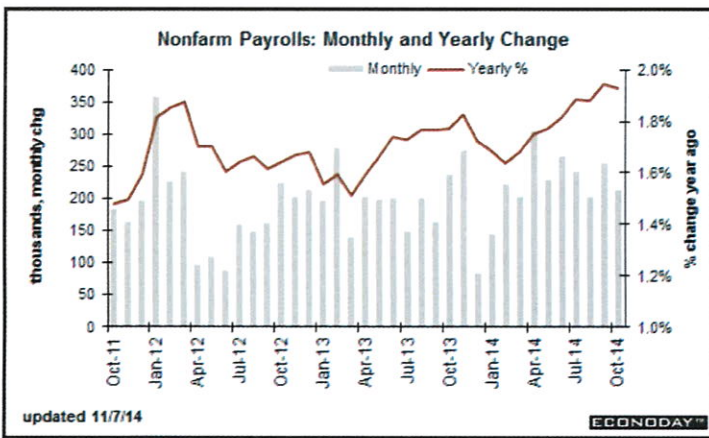


Market Outlook

November 7, 2014

What a wild ride the markets experienced during October! The roller coaster that began early in the month with an extreme drop of 900 points in the DOW Jones Industrial and similar declines in the U.S. Treasury yields, has mostly reversed itself by the time this article is being written. Had you slipped into a coma during early October and awakened 30 days later, it would have appeared that nothing had happened! You would never have known of the panic that occurred as the markets reacted to the main headline – *EBOLA Arrives in the United States*. Although there was other notable news related to Russia/Ukraine, European economic struggles and ISIS, none of those headlines moved the market. The perceived threat of a large-scale outbreak of Ebola caused investors to pull the plug on their equity positions and flood the U.S. Treasury short-term positions with buy orders. The mass exodus into the safe harbor of the U.S. Treasury caused rates to plummet. The 2-year Treasury note, that had touched 0.60% at the end of September, fell to 0.34% by mid-October. Now that the Ebola threat has abated, the stock market has once again reached historical highs, but the Treasury market has yet to fully recover. The mid-term election outcome has also boosted the stock market, as did a rapid decline in gas prices.

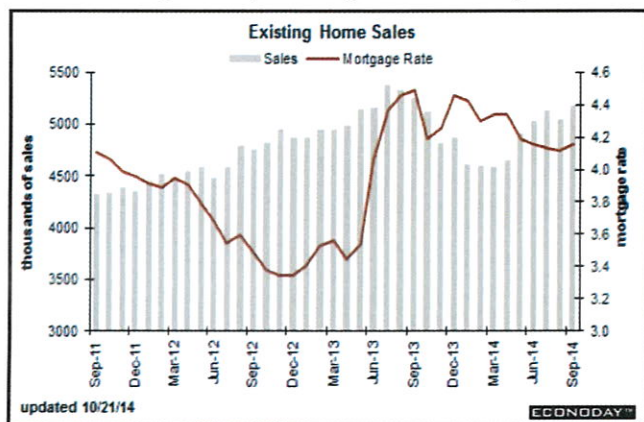
The Employment reports have remained positive, but still are not signaling significant strength. The economy added 214,000 jobs during October and both of the preceding months' results were adjusted higher



(September revised to +256,000 from the previously reported +248,000 and August revised to +204,000 from the previously reported +180,000). With the revision to August, this will be the ninth straight month reporting 200,000+ jobs created. The private sector added 209,000 jobs compared to 244,000 jobs added in September and the government sector added 5,000 jobs as compared to 4,000 added in September. The participation rate improved slightly to 62.8% from September's 62.7% level, showing that

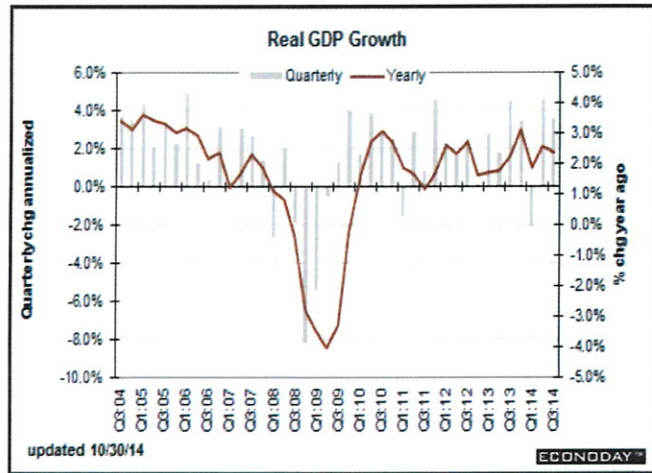
more potential jobholders are entering the workplace. But the underemployed or those that have been forced to take jobs that require fewer skills that their resume should suggest or that have sought part-time work in lieu of full time remains high at 11.5%. The Unemployment Rate has dropped to the lowest rate in six years to 5.8% from September's result of 5.9%. The average hourly earnings rate has only risen 2.0% over the past twelve months.

The housing sector was mixed again this month, but trends may bode well for future improvement. Existing Home Sales rose 2.4% in September following a decline of 1.8% in August. The median price of sale units fell 4.0% following a decline of 0.8% in August. One of the contributing factors for the slowdown in home sales has been the increase in home prices, which has forced some potential homebuyers to put their purchase plans on hold. With the decline in prices coupled with another significant decline in mortgage rates, we may begin to see more positive results in both Existing and New Home Sales results. The supply of Existing Homes declined to 5.3 months in September compared to 5.5 months in August. There was a huge revision in



the New Home Sales report for August (originally shown to increase 18%, but later adjusted to show a decline of 1.6%) The September report indicated another 0.1% decline in the number of units sold as well as a decline of 9.7% in the median sales price. The supply of new homes on the market remained at 5.3 months. Despite these results, both the Housing Starts and Housing Permits reports indicated that builders continue to move ahead with building programs. S&P Case Shiller, a recognized evaluator of home values in the 20 major metropolitan areas, reported declines of 0.1% in August, the fourth straight month of decline.

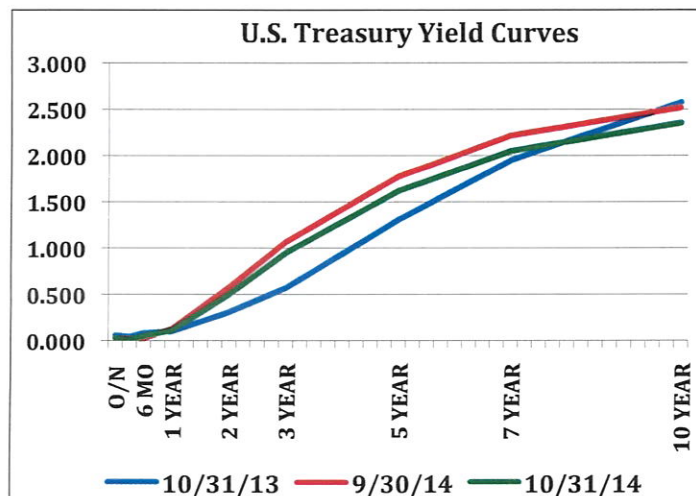
The production side of the economy had a good month once again. The advance report for Gross Domestic Product (GDP) for the third quarter came in above expectations at +3.5% following the impressive +4.6% rate in the second quarter. Durable Goods Orders fell slightly in September, but mostly due to declines in seasonal airplane orders. Industrial Production posted positive results of +1.0% in September after declining 0.2% in August. Business Inventories rose again in August and resulted in a slight mismatch in the balance between inventories and sales. This was attributable to declines in automobile sales and should not cause any concerns going forward. The Producer Price Index (PPI) fell 0.1% in September after a flat August. The Consumer Price Index (CPI) rose by 0.1% in September following a 0.2% decline in August.



On the consumption front, Retail Sales fell 0.3% in September following a 0.6% rise in August. Most of the decline was due to reduced automobile sales. Additionally, falling gas prices had a significant impact. The most gains were in the electronics sector (iPhone impact) and in the food/beverage service sector. Both of these sectors are considered highly discretionary, meaning that they are not necessities, and demonstrate a consumer that has a willingness to spend on non-essential purchases.

The Federal Open Market Committee (FOMC) met on October 28-29 and, as expected, the release following the meeting announced that the stimulus program known as quantitative easing version three (QE3) of purchasing U.S. Treasury and Agency securities would end in November. Generally, the mood of the announcement was upbeat and focused upon solid job gains, lower unemployment and the benefit of lower gas/energy prices. There was no significant mention of global economies or concerns over the volatility in the bond or equity markets (likely a signal of their concurrence that the volatility in October was just a short-term reaction to news headlines and quickly worked itself out). Market speculation is back to targeting mid-2015 as the likely time when the Federal Funds Rate might be raised by the FOMC.

Current Government Security Investment Pool rates stayed low in October, ranging in the +/-0.03% to +/-0.08% area. Certificate of Deposit rates finished October with the 2-year and longer maturity sector slightly lower than in September. The one-year CD remained in a range of 0.20% to 0.30% in October, the same as in the previous four months. Strategy for public funds should continue to favor CDs or other collateralized bank products such as money market accounts.



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