



Item No. 10 Town of Atherton

CITY COUNCIL STAFF REPORT – CONSENT AGENDA

**TO: HONORABLE MAYOR AND CITY COUNCIL
GEORGE RODERICKS, CITY MANAGER**

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: FEBRUARY 20, 2019

**SUBJECT: ACCEPTANCE OF TREASURER’S REPORT FOR THE SECOND
QUARTER ENDED DECEMBER 31, 2018**

RECOMMENDATION

Accept the Treasurer’s Report for the Second Quarter Ended December 31, 2018.

BACKGROUND

The Treasurer’s Report provides an update on the cash and investment position of the Town of Atherton.

The Second Quarter Treasurer’s report for FY 2018/19 as of December 31, 2018 is attached. The total cash and investments for the Town is \$41,425,038. Of the total amount, \$26,194,117 is listed as “non-restricted” and although may be listed as such, this amount is not all available for spending. “Non-restricted” is to mean not legally restricted but the Town does have obligations and unfunded liabilities that must or may be met with non-restricted funds. Also attached is the PARS Trust account available balance as of December 31, 2018. The total amount in the PARS account is \$6,018,367. This is a “restricted” investment that is used for the Town’s OPEB liabilities.

Insight Asset Management provides non-discretionary investment advisory services to the Town for investments. Staff is working in conjunction with Insight to ensure cash and investments adhere to our goals of safety, liquidity, and yield. To facilitate the trading and safekeeping of securities, Wells Fargo Bank serves as the safe-keeping agent for the Town.

As the Town continues with its capital projects, staff forecasts cash flow needs to ensure cash liquidity of funds are readily available. As investments mature staff anticipates shifting funds to more liquid instruments. LAIF offers the most liquidity and as of December 31, 2018 holds \$19,372,107.

POLICY FOCUS

The Town’s Statement of Investment Policy requires the City Manager or designee to submit quarterly and annual Treasurer’s Report to the City Council. The California Government Code

Section 53646, Subsection B(1) requires that the quarterly Treasurer's Report be submitted to the legislative body within 30 days of the close of a given quarter or within a reasonable time of scheduled council meetings. Staff strives to make this deadline. The current reporting quarter closed on December 31, 2018.

FISCAL IMPACT

None.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power, and sewer), and regional elected officials.

In addition, the Town keeps its financial information up to date via a transparency webpage.

<https://ca-atherton.civicplus.com/index.aspx?NID=269>

COMMISSION/COMMITTEE FEEDBACK/REFERRAL

This item ___ has or X has not been before a Town Committee or Commission.

- Audit/Finance Committee (meets every other month)
- Bicycle/Pedestrian Committee (meets as needed)
- Civic Center Advisory Committee (meets as needed)
- Environmental Programs Committee (meets every other month)
- Park and Recreation Committee (meets each month)
- Planning Commission (meets each month)
- Rail Committee (meets every other month)
- Transportation Committee (meets every other month)
- Tree Committee (meets each month)

ATTACHMENTS

Treasurer's Report for Second Quarter Ended December 31, 2018

**Town of Atherton
Quarterly Treasurer's Report
Portfolio Summary
December 31, 2018**

	Par Value	Market Value	Book Value	% of Portfolio
Cash In Bank (Schedule A)	5,572,483	5,572,483	5,572,483	13.5%
LAIF Statement	19,372,107	19,383,627	19,372,107	46.8%
Investments (Schedule B)	16,545,000	16,413,661	16,480,448	39.8%
Total Cash and Investments	41,489,590	41,369,770	41,425,038	100%

The above investments are consistent with the Town's Statement of Investment Policy and are allowable under current legislation of the State of California. Investments are selected using safety, liquidity, and yield as the criteria. The Town has sufficient cash flow to cover anticipated expenditures through the next six months.



Robert Barron, Finance Director

1/31/2018

Date

**Town of Atherton
Quarterly Treasurer's Report
Portfolio Details - Cash In Bank
December 31, 2018**

Schedule A

<u>Name of Depository</u>	<u>Investment Type</u>	<u>Reconciled Bank Balance</u>
Wells Fargo	General Account	4,880,788
Wells Fargo	Wells Fargo Trust MMF-Cash	691,694
Total		<u><u>5,572,483</u></u>

**Town of Atherton
Treasurer's Report Schedule B
Portfolio Details - Investments
December 31, 2018**

Schedule B

See next pages Cutwater Report

**Town of Atherton
Quarterly Treasurer's Report
Cash & Investments Balance By Fund
December 31, 2018**

Fund No.	Fund Name	June Balance
101	General Fund	22,493,282
105	Tennis Fund	197,797
610	Equipment Replacement Fund	524,868
614	Worker's Compensation	994,454
615	General Liability	376,823
616	Employee Benefits	1,606,893
	Total Non-Restricted	<u>26,194,117</u>
201	Special Tax Fund	2,102,198
202	County Measure A Fund	683,975
203	Gas Tax Fund	8,489
204	Measure M	248,603
209	SLES/COPS Grant	81,922
210	Road Constructions Impact Fee	-
213	Library Fund	4,177,757
215	Evans Creative Design (formerly fund 715)	7,351
221	Refuse Rate and Stabilization	1,718,094
401	GF Projects	5,694,474
402	Storm Drainage	30,829
403	Atherton Channel Drainage District	344,684
406	Facilities Construction	100,447
730	H-P Park Improvement	6,253
740	Tree Committee	25,844
	Total Restricted	<u>15,230,921</u>
	Total Cash & Investments	<u><u>41,425,038</u></u>

**Town of Atherton
Quarterly Treasurer's Report
Local Agency Investment Fund Summary (LAIF)
December 31, 2018**

Date	Begin \$\$\$	Contribution	Earnings	Expenses	Distribution	Ending \$\$\$	Date
12/1/2018	19,372,107		-	-		19,372,107	12/31/2018

**Town of Atherton
Quarterly Treasurer's Report
PARS Trust Account Summary
September 30, 2018**

Date	Begin \$\$\$	Contribution	Earnings	Expenses	Distribution	Ending \$\$\$	Date
12/1/2018	6,203,189	35,235	(217,058)	(2,998)		6,018,367	12/31/2018 (*)

* Recent available PARS report

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TOWN OF ATHERTON

Treasurer's Report B

December 2018

Part of  BNY MELLON

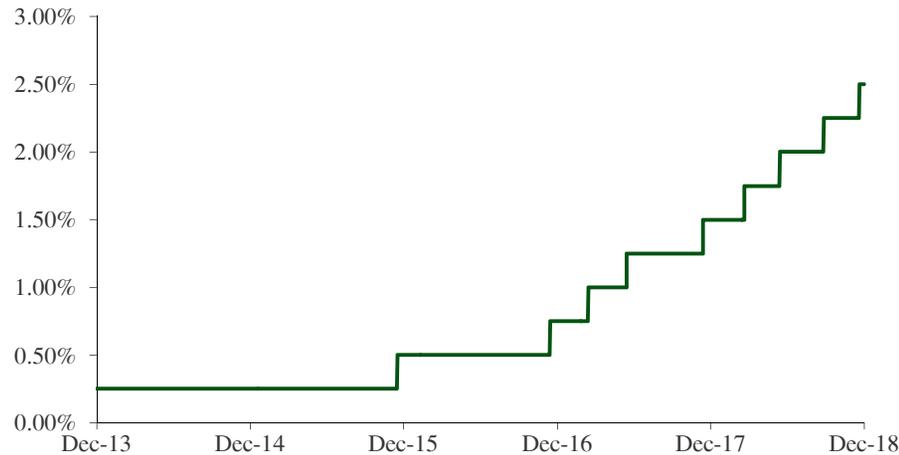


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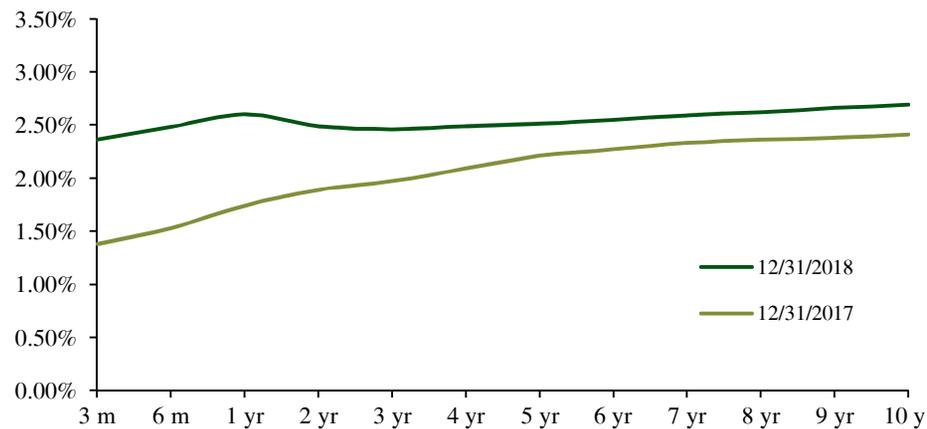
As of December 31, 2018

Chart 1: Fed funds target rate: 12/31/2013—12/31/2018



Source: Bloomberg Finance LP, December 31, 2018.

Chart 2: Treasury yield curve: 12/31/2017 and 12/31/2018



Source: Bloomberg Finance LP, December 31, 2018.

Economic Indicators and Monetary Policy

After reaching cyclical highs on November 8, 2-year US Treasury yields continued to decrease during December and the yield curve flattened further. The 2-year US Treasury note reached a peak yield of 2.97% in November and closed 2018 at a yield of 2.49%. Despite the recent downtrend in rates, the yield on the 2-year US Treasury note increased 60 basis points during 2018, from a yield of 1.89% on December 31, 2017. Lower rates over the past months were supported by continuing trade tensions and political discord, tightening financial conditions, volatile equity markets and softening in some economic releases.

On December 19 the Federal Open Market Committee (FOMC) increased the federal funds target rate 25 basis points to a range of 2.25% to 2.50% in a unanimous vote. (See Chart 1). The economic assessment presented by the FOMC was largely unchanged from the prior meeting and described a strong economy and near target level inflation conditions. The statement noted that the FOMC will monitor the risks to the current outlook posed by global economic and financial developments. Rate guidance indicated that two increases were likely in 2019.

On December 7 the payroll report was released, showing that 155,000 jobs were added in November, below expectations of 198,000, and the prior month job gains were revised downward to 237,000 from 250,000. The unemployment rate was unchanged at 3.7% and the underemployment rate increased to 7.6% from 7.4%. Wage growth was firm at 3.1% which is the fastest pace since spring 2009.

On December 11 the Producer Price Index (PPI) was released. The report showed year-over-year price increases of 2.5% at the headline level which includes food and energy and 2.7% when these volatile components are excluded. The next day the Consumer Price Index (CPI) report was published and it showed 2.2% year-over-year price increases for both the headline and core levels.

Interest Rate Summary

At the end of December, the 3-month US Treasury bill yielded 2.36%, the 6-month US Treasury bill yielded 2.48%, the 2-year US Treasury note yielded 2.49%, the 5-year US Treasury note yielded 2.51% and the 10-year US Treasury note yielded 2.69%. (See Chart 2).

ACTIVITY AND PERFORMANCE SUMMARY

For the period December 1, 2018 - December 31, 2018

<u>Amortized Cost Basis Activity Summary</u>	
Opening balance	17,130,454.41
Income received	51,911.91
Total receipts	51,911.91
Total disbursements	0.00
Interportfolio transfers	0.00
Total Interportfolio transfers	0.00
Realized gain (loss)	0.00
Total amortization expense	(1,012.26)
Total OID/MKT accretion income	6,898.75
Return of capital	0.00
Closing balance	17,188,252.81
Ending fair value	17,105,355.15
Unrealized gain (loss)	(82,897.66)

<u>Detail of Amortized Cost Basis Return</u>				
	Interest earned	Accretion (amortization)	Realized gain (loss)	Total income
Cash and Cash Equivalents	2,342.08	0.00	0.00	2,342.08
Corporate Bonds	4,832.90	(809.22)	0.00	4,023.68
Government Agencies	13,621.94	5,972.07	0.00	19,594.01
Government Bonds	2,163.45	723.64	0.00	2,887.09
Total	22,960.37	5,886.49	0.00	28,846.86

<u>Comparative Rates of Return (%)</u>			
	* Twelve month trailing	* Six month trailing	* One month
Fed Funds	1.83	1.04	0.19
Overnight Repo	1.90	1.09	0.22
Merrill Lynch 3m US Treas Bill	1.92	1.08	0.20
Merrill Lynch 6m US Treas Bill	2.07	1.16	0.21
ML 1 Year US Treasury Note	2.33	1.29	0.22
ML 2 Year US Treasury Note	2.53	1.37	0.22
ML 5 Year US Treasury Note	2.75	1.42	0.23

* rates reflected are cumulative

<u>Summary of Amortized Cost Basis Return for the Period</u>	
	Total portfolio
Interest earned	22,960.37
Accretion (amortization)	5,886.49
Realized gain (loss) on sales	0.00
Total income on portfolio	28,846.86
Average daily amortized cost	17,161,603.16
Period return (%)	0.17
YTD return (%)	1.56
Weighted average final maturity in days	234

ACTIVITY AND PERFORMANCE SUMMARY

For the period December 1, 2018 - December 31, 2018

<u>Fair Value Basis Activity Summary</u>		
Opening balance		17,026,262.59
Income received	51,911.91	
Total receipts		51,911.91
Total disbursements		0.00
Interportfolio transfers	0.00	
Total Interportfolio transfers		0.00
Unrealized gain (loss) on security movements		0.00
Return of capital		0.00
Change in fair value for the period		27,180.65
Ending fair value		17,105,355.15

<u>Detail of Fair Value Basis Return</u>			
	Interest earned	Change in fair value	Total income
Cash and Cash Equivalents	2,342.08	0.00	2,342.08
Corporate Bonds	4,832.90	2,226.70	7,059.60
Government Agencies	13,621.94	21,067.67	34,689.61
Government Bonds	2,163.45	3,886.28	6,049.73
Total	22,960.37	27,180.65	50,141.02

<u>Comparative Rates of Return (%)</u>			
	* Twelve month trailing	* Six month trailing	* One month
Fed Funds	1.83	1.04	0.19
Overnight Repo	1.90	1.09	0.22
ICE ML 3m US Treas Bill	1.87	1.06	0.18
ICE ML 6m US Treas Bill	1.92	1.11	0.22
ICE ML 1 Year US Treasury Note	1.86	1.20	0.36
ICE ML US Treasury 1-3	1.58	1.49	0.79
ICE ML US Treasury 1-5	1.52	1.77	1.11

* rates reflected are cumulative

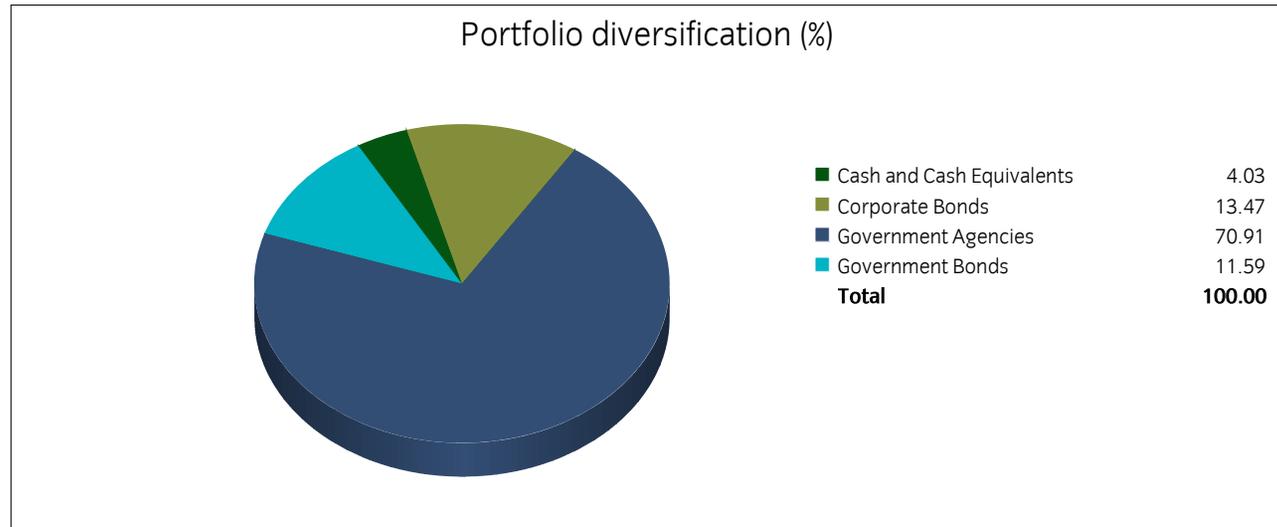
<u>Summary of Fair Value Basis Return for the Period</u>	
	Total portfolio
Interest earned	22,960.37
Change in fair value	27,180.65
Total income on portfolio	50,141.02
Average daily total value *	17,132,409.31
Period return (%)	0.29
YTD return (%)	1.64
Weighted average final maturity in days	234

* Total value equals market value and accrued interest

RECAP OF SECURITIES HELD

As of December 31, 2018

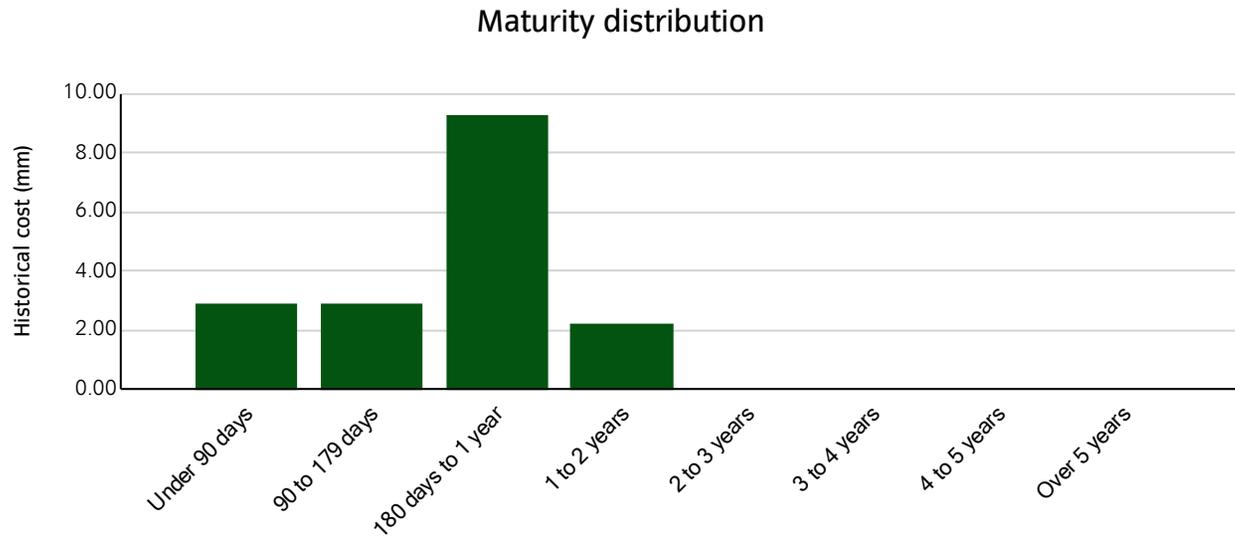
	Historical cost	Amortized cost	Fair value	Unrealized gain (loss)	Weighted average final maturity (days)	Percent of portfolio	Weighted average effective duration (years)
Cash and Cash Equivalents	691,694.48	691,694.48	691,694.48	0.00	1	4.03	0.00
Corporate Bonds	2,312,375.00	2,304,000.44	2,295,848.20	(8,152.24)	158	13.47	0.42
Government Agencies	12,177,446.79	12,197,587.12	12,137,216.67	(60,370.45)	254	70.91	0.68
Government Bonds	1,990,626.67	1,994,970.77	1,980,595.80	(14,374.97)	281	11.59	0.76
Total	17,172,142.94	17,188,252.81	17,105,355.15	(82,897.66)	234	100.00	0.63



MATURITY DISTRIBUTION OF SECURITIES HELD

As of December 31, 2018

Maturity	Historic cost	Percent
Under 90 days	2,889,053.39	16.82
90 to 179 days	2,844,863.23	16.57
180 days to 1 year	9,240,869.79	53.81
1 to 2 years	2,197,356.53	12.80
2 to 3 years	0.00	0.00
3 to 4 years	0.00	0.00
4 to 5 years	0.00	0.00
Over 5 years	0.00	0.00
	17,172,142.94	100.00



SECURITIES HELD

As of December 31, 2018

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Cash and Cash Equivalents											
Cash and Cash Equivalents	0.000		691,694.48	691,694.48 0.00	691,694.48 0.00	691,694.48 0.00	0.00	0.00	0.00	0.00	4.03
Total Cash and Cash Equivalents			691,694.48	691,694.48 0.00	691,694.48 0.00	691,694.48 0.00	0.00	0.00	0.00	0.00	4.03
Corporate Bonds											
30231GAP7 EXXON MOBIL CORPORATION 1.708% 01MAR2019	1.708	03/01/2019	300,000.00	298,965.00 0.00	299,682.74 156.03	299,465.70 268.20	(217.04)	0.00	441.23	1,708.00	1.74
19416QEF3 COLGATE-PALMOLIVE CO 1.75% 15MAR2019	1.750	03/15/2019	500,000.00	504,345.00 0.00	500,387.02 (154.81)	498,835.00 346.00	(1,552.02)	0.00	753.47	2,576.39	2.94
037833AQ3 APPLE INC 2.1% 06MAY2019	2.100	05/06/2019	500,000.00	504,675.00 0.00	500,820.40 (195.34)	498,910.00 376.00	(1,910.40)	0.00	904.17	1,604.17	2.94
594918AC8 MICROSOFT CORP 4.2% 01JUN2019	4.200	06/01/2019	500,000.00	504,310.00 0.00	503,084.41 (612.79)	503,171.50 126.00	87.09	10,500.00	1,808.33	1,750.00	2.94
94988J5G8 WELLS FARGO BANK NA 2.15% 06DEC2019	2.150	12/06/2019	500,000.00	500,080.00 0.00	500,025.87 (2.31)	495,466.00 1,110.50	(4,559.87)	5,375.00	925.70	746.53	2.91
Total Corporate Bonds			2,300,000.00	2,312,375.00 0.00	2,304,000.44 (809.22)	2,295,848.20 2,226.70	(8,152.24)	15,875.00	4,832.90	8,385.09	13.47
Government Agencies											
3135G0H63 FANNIE MAE 1.375% 28JAN2019	1.375	01/28/2019	1,000,000.00	995,576.91 0.00	999,440.33 599.64	999,214.00 874.00	(226.33)	0.00	1,184.03	5,843.75	5.80
3135G0J53 FANNIE MAE 1% 26FEB2019	1.000	02/26/2019	400,000.00	398,472.00 0.00	399,117.86 472.58	399,108.80 393.60	(9.06)	0.00	344.45	1,388.89	2.32

SECURITIES HELD

As of December 31, 2018

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Government Agencies											
3130ABF92 FEDERAL HOME LOAN BANK 1.375% 28MAY2019	1.375	05/28/2019	650,000.00	646,106.50 0.00	646,951.12 618.01	646,830.60 434.85	(120.52)	0.00	769.62	819.27	3.76
3137EADG1 FREDDIE MAC 1.75% 30MAY2019	1.750	05/30/2019	200,000.00	199,032.85 0.00	199,496.28 100.75	199,365.80 174.40	(130.48)	0.00	291.67	291.67	1.16
313379EE5 FEDERAL HOME LOAN BANK 1.625% 14JUN2019	1.625	06/14/2019	500,000.00	496,740.00 0.00	498,847.76 210.78	497,832.50 355.50	(1,015.26)	4,062.50	699.65	383.68	2.89
3130A8DB6 FEDERAL HOME LOAN BANK 1.125% 21JUN2019	1.125	06/21/2019	500,000.00	493,998.88 0.00	497,149.47 500.10	496,565.00 543.00	(584.47)	2,812.50	484.37	156.25	2.88
3133EHPW7 FEDERAL FARM CREDIT BANK 1.42% 03JUL2019 (CALLABLE 11JAN19)	1.420	07/03/2019	500,000.00	499,471.00 0.00	499,862.29 22.57	497,215.00 640.00	(2,647.29)	0.00	611.39	3,510.56	2.91
3137EAEB1 FREDDIE MAC 0.875% 19JUL2019	0.875	07/19/2019	500,000.00	494,565.00 0.00	495,317.90 705.84	495,230.50 688.50	(87.40)	0.00	376.74	1,968.75	2.88
3130ABZX7 FEDERAL HOME LOAN BANK 1.41% 07AUG2019	1.410	08/07/2019	500,000.00	499,805.00 0.00	499,941.23 8.13	496,395.00 610.00	(3,546.23)	0.00	607.08	2,820.00	2.91
3137EAEH8 FREDDIE MAC 1.375% 15AUG2019	1.375	08/15/2019	1,295,000.00	1,284,083.15 (6,034.34)	1,284,850.04 766.89	1,284,595.97 512.82	(254.07)	0.00	692.47	6,726.81	7.48
3135G0P49 FANNIE MAE 1% 28AUG2019	1.000	08/28/2019	500,000.00	498,640.00 0.00	499,683.29 39.92	494,672.00 777.50	(5,011.29)	0.00	430.55	1,708.33	2.90
3133EG2D6 FEDERAL FARM CREDIT BANK 1.55% 27SEP2019	1.550	09/27/2019	500,000.00	501,520.00 0.00	500,418.39 (47.01)	496,030.00 715.00	(4,388.39)	0.00	667.36	2,023.61	2.92

SECURITIES HELD

As of December 31, 2018

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Government Agencies											
3133EGYP4 FEDERAL FARM CREDIT BANK 1.05% 17OCT2019	1.050	10/17/2019	1,000,000.00	997,741.00 0.00	999,394.65 63.28	987,380.00 1,860.00	(12,014.65)	0.00	904.16	2,158.33	5.81
3130ABTD8 FEDERAL HOME LOAN BANK 1.45% 18OCT2019 #0000	1.450	10/18/2019	500,000.00	499,760.00 0.00	499,914.56 8.90	495,185.00 860.00	(4,729.56)	0.00	624.31	1,470.14	2.91
3135G0R39 FANNIE MAE 1% 24OCT2019	1.000	10/24/2019	1,500,000.00	1,478,355.00 (2,208.33)	1,479,538.17 1,183.17	1,480,117.50 1,762.50	579.33	0.00	583.34	2,791.67	8.61
3130AA2H0 FEDERAL HOME LOAN BANK 1.125% 29NOV2019	1.125	11/29/2019	500,000.00	495,305.00 0.00	498,565.42 126.07	493,330.00 1,315.00	(5,235.42)	0.00	484.37	500.00	2.88
3133EHET6 FEDERAL FARM CREDIT BANK 1.58% 03MAR2020	1.580	03/03/2020	500,000.00	499,714.50 0.00	499,880.78 8.45	494,565.00 2,040.00	(5,315.78)	0.00	680.27	2,589.44	2.91
3134GBN40 FREDDIE MAC 1.625% 29JUN2020 CALLABLE #0001	1.625	06/29/2020	1,200,000.00	1,198,560.00 0.00	1,199,217.58 43.55	1,183,584.00 5,592.00	(15,633.58)	9,750.00	1,679.16	108.33	6.98
Total Government Agencies			12,245,000.00	12,177,446.79 (8,242.67)	12,197,587.12 5,431.62	12,137,216.67 20,148.67	(60,370.45)	16,625.00	12,114.99	37,259.48	70.91
Government Bonds											
912828TC4 USA TREASURY 1% 30JUN2019	1.000	06/30/2019	500,000.00	496,113.28 0.00	499,100.39 154.08	496,279.30 800.78	(2,821.09)	2,500.00	421.20	0.00	2.89
912828K5 USA TREASURY 1.375% 31JUL2019	1.375	07/31/2019	500,000.00	495,880.58 0.00	496,420.83 523.37	496,582.00 703.00	161.17	0.00	579.15	2,858.36	2.89
912828U73 USA TREASURY 1.375% 15DEC2019	1.375	12/15/2019	500,000.00	499,550.78 0.00	499,821.44 15.86	494,043.00 1,054.50	(5,778.44)	3,437.50	583.96	302.20	2.91

SECURITIES HELD

As of December 31, 2018

Cusip/ Description	Coupon	Maturity/ Call date	Par value or shares	Historical cost/ Accrued interest purchased	Amortized cost/ Accretion (amortization)	Fair value/ Change in fair value	Unrealized gain (loss)	Interest received	Interest earned	Total accrued interest	% Port cost
Government Bonds											
912828V31 USA TREASURY 1.375% 15JAN2020	1.375	01/15/2020	500,000.00	499,082.03 0.00	499,628.11 30.33	493,691.50 1,328.00	(5,936.61)	0.00	579.14	3,157.27	2.91
Total Government Bonds			2,000,000.00	1,990,626.67 0.00	1,994,970.77 723.64	1,980,595.80 3,886.28	(14,374.97)	5,937.50	2,163.45	6,317.83	11.59
Grand total			17,236,694.48	17,172,142.94 (8,242.67)	17,188,252.81 5,346.04	17,105,355.15 26,261.65	(82,897.66)	38,437.50	19,111.34	51,962.40	100.00

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

As of December 31, 2018

Cusip	Description	Coupon	Maturity date	Call date	S&P rating	Moody rating	Par value or shares	Historical cost	% Portfolio hist cost	Market value	% Portfolio mkt value	Effective dur (yrs)
Federal National Mortgage Association												
3135G0H63	FANNIE MAE 1.375%	1.375	01/28/2019		AA+	Aaa	1,000,000.00	995,576.91	5.80	999,214.00	5.84	0.08
3135G0J53	FANNIE MAE 1%	1.000	02/26/2019		AA+	Aaa	400,000.00	398,472.00	2.32	399,108.80	2.33	0.16
3135G0P49	FANNIE MAE 1%	1.000	08/28/2019		AA+	Aaa	500,000.00	498,640.00	2.90	494,672.00	2.89	0.65
3135G0R39	FANNIE MAE 1%	1.000	10/24/2019		AA+	Aaa	1,500,000.00	1,478,355.00	8.61	1,480,117.50	8.65	0.80
Issuer total							3,400,000.00	3,371,043.91	19.63	3,373,112.30	19.72	0.49
Federal Home Loan Mortgage Corp												
3137EADG1	FREDDIE MAC 1.75%	1.750	05/30/2019		AA+	Aaa	200,000.00	199,032.85	1.16	199,365.80	1.17	0.41
3137EAE81	FREDDIE MAC 0.875%	0.875	07/19/2019		AA+	Aaa	500,000.00	494,565.00	2.88	495,230.50	2.90	0.54
3137EAEH8	FREDDIE MAC 1.375%	1.375	08/15/2019		AA+	Aaa	1,295,000.00	1,284,083.15	7.48	1,284,595.97	7.51	0.61
3134GBN40	FREDDIE MAC 1.625%	1.625	06/29/2020		AA+	Aaa	1,200,000.00	1,198,560.00	6.98	1,183,584.00	6.92	1.46
Issuer total							3,195,000.00	3,176,241.00	18.50	3,162,776.27	18.49	0.91
Federal Home Loan Banks												
3130ABF92	FEDERAL HOME LOAN	1.375	05/28/2019		AA+	Aaa	650,000.00	646,106.50	3.76	646,830.60	3.78	0.40
313379EE5	FEDERAL HOME LOAN	1.625	06/14/2019		AA+	Aaa	500,000.00	496,740.00	2.89	497,832.50	2.91	0.45
3130A8DB6	FEDERAL HOME LOAN	1.125	06/21/2019		AA+	Aaa	500,000.00	493,998.88	2.88	496,565.00	2.90	0.47
3130ABZX7	FEDERAL HOME LOAN	1.410	08/07/2019		AA+	Aaa	500,000.00	499,805.00	2.91	496,395.00	2.90	0.59
3130ABTD8	FEDERAL HOME LOAN	1.450	10/18/2019		AA+	Aaa	500,000.00	499,760.00	2.91	495,185.00	2.89	0.78
3130AA2H0	FEDERAL HOME LOAN	1.125	11/29/2019		AA+	Aaa	500,000.00	495,305.00	2.88	493,330.00	2.88	0.90
Issuer total							3,150,000.00	3,131,715.38	18.24	3,126,138.10	18.28	0.59
Federal Farm Credit Banks												
3133EHPW7	FEDERAL FARM CREDIT	1.420	07/03/2019		AA+	Aaa	500,000.00	499,471.00	2.91	497,215.00	2.91	0.49
3133EG2D6	FEDERAL FARM CREDIT	1.550	09/27/2019		AA+	Aaa	500,000.00	501,520.00	2.92	496,030.00	2.90	0.73
3133EGYP4	FEDERAL FARM CREDIT	1.050	10/17/2019		AA+	Aaa	1,000,000.00	997,741.00	5.81	987,380.00	5.77	0.78

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

As of December 31, 2018

Cusip	Description	Coupon	Maturity date	Call date	S&P rating	Moody rating	Par value or shares	Historical cost	% Portfolio hist cost	Market value	% Portfolio mkt value	Effective dur (yrs)
Federal Farm Credit Banks												
3133EHET6	FEDERAL FARM CREDIT	1.580	03/03/2020		AA+	Aaa	500,000.00	499,714.50	2.91	494,565.00	2.89	1.15
Issuer total							2,500,000.00	2,498,446.50	14.55	2,475,190.00	14.47	0.79
United States Treasury Note/Bond												
912828TC4	USA TREASURY 1%	1.000	06/30/2019		AA+	Aaa	500,000.00	496,113.28	2.89	496,279.30	2.90	0.49
9128282K5	USA TREASURY 1.375%	1.375	07/31/2019		AA+	Aaa	500,000.00	495,880.58	2.89	496,582.00	2.90	0.57
912828U73	USA TREASURY 1.375%	1.375	12/15/2019		AA+	Aaa	500,000.00	499,550.78	2.91	494,043.00	2.89	0.94
912828V31	USA TREASURY 1.375%	1.375	01/15/2020		AA+	Aaa	500,000.00	499,082.03	2.91	493,691.50	2.89	1.02
Issuer total							2,000,000.00	1,990,626.67	11.59	1,980,595.80	11.58	0.76
Cash and Cash Equivalents												
	INVESTED CASH	0.000					691,694.48	691,694.48	4.03	691,694.48	4.04	0.00
Issuer total							691,694.48	691,694.48	4.03	691,694.48	4.04	0.00
Microsoft Corp												
594918AC8	MICROSOFT CORP 4.2%	4.200	06/01/2019		AAA	Aaa	500,000.00	504,310.00	2.94	503,171.50	2.94	0.41
Issuer total							500,000.00	504,310.00	2.94	503,171.50	2.94	0.41
Apple Inc												
037833AQ3	APPLE INC 2.1%	2.100	05/06/2019		AA+	Aa1	500,000.00	504,675.00	2.94	498,910.00	2.92	0.34
Issuer total							500,000.00	504,675.00	2.94	498,910.00	2.92	0.34
Colgate-Palmolive Co												
19416QEF3	COLGATE-PALMOLIVE CO	1.750	03/15/2019		AA-	Aa3	500,000.00	504,345.00	2.94	498,835.00	2.92	0.20
Issuer total							500,000.00	504,345.00	2.94	498,835.00	2.92	0.20

GASB 40 - DEPOSIT AND INVESTMENT RISK DISCLOSURE

As of December 31, 2018

Cusip	Description	Coupon	Maturity date	Call date	S&P rating	Moody rating	Par value or shares	Historical cost	% Portfolio hist cost	Market value	% Portfolio mkt value	Effective dur (yrs)
Wells Fargo Bank NA												
94988J5G8	WELLS FARGO BANK NA	2.150	12/06/2019		A+	Aa2	500,000.00	500,080.00	2.91	495,466.00	2.90	0.91
Issuer total							500,000.00	500,080.00	2.91	495,466.00	2.90	0.91
Exxon Mobil Corp												
30231GAP7	EXXON MOBIL	1.708	03/01/2019		AA+	Aaa	300,000.00	298,965.00	1.74	299,465.70	1.75	0.16
Issuer total							300,000.00	298,965.00	1.74	299,465.70	1.75	0.16
Grand total							17,236,694.48	17,172,142.94	100.00	17,105,355.15	100.00	0.63

SECURITIES PURCHASED

For the period December 1, 2018 - December 31, 2018

Cusip / Description / Broker	Trade date Settle date	Coupon	Maturity/ Call date	Par value or shares	Unit cost	Principal cost	Accrued interest purchased
Government Agencies							
3137EAEH8 FREDDIE MAC 1.375% 15AUG2019 WELLS FARGO SECURITIES INTL LTD	12/14/2018 12/17/2018	1.375	08/15/2019	1,295,000.00	99.16	(1,284,083.15)	(6,034.34)
3135G0R39 FANNIE MAE 1% 24OCT2019 WELLS FARGO SECURITIES INTL LTD	12/14/2018 12/17/2018	1.000	10/24/2019	1,500,000.00	98.56	(1,478,355.00)	(2,208.33)
Total Government Agencies				2,795,000.00		(2,762,438.15)	(8,242.67)
Grand total				2,795,000.00		(2,762,438.15)	(8,242.67)

SECURITIES SOLD AND MATURED

For the period December 1, 2018 - December 31, 2018

Cusip/ Description/ Broker	Trade date Settle date	Coupon	Maturity/ Call date	Par value or shares	Historical cost	Amortized cost at sale or maturity /Accr (amort)	Price	Fair value at sale or maturity / Chg.in fair value	Realized gain (loss)	Accrued interest sold	Interest received	Interest earned
Government Agencies												
313376BR5 FEDERAL HOME LN BKS CONS BD 1.75 DUE 12-14-2018	12/14/2018 12/14/2018	1.750		(1,000,000.00)	997,765.00	1,000,000.00 148.29	0.00	1,000,000.00 171.00	0.00	0.00	8,750.00	680.56
3134GAFJ8 FHLMC TRANCHE # TR 00129 1 12-14-2018/12-14-2016	12/14/2018 12/14/2018	1.000		(1,000,000.00)	999,650.00	1,000,000.00 6.00	0.00	1,000,000.00 400.00	0.00	0.00	5,000.00	388.89
3135G0G72 FNMA FANNIE MAE 1.125% DUE 12-14-2018 REG 1.125 12-14-2018	12/14/2018 12/14/2018	1.125		(1,000,000.00)	994,180.00	1,000,000.00 386.16	0.00	1,000,000.00 348.00	0.00	0.00	5,625.00	437.50
Total (Government Agencies)				(3,000,000.00)	2,991,595.00	3,000,000.00 540.45		3,000,000.00 919.00	0.00	0.00	19,375.00	1,506.95
Grand total				(3,000,000.00)	2,991,595.00	3,000,000.00 540.45		3,000,000.00 919.00	0.00	0.00	19,375.00	1,506.95

TRANSACTION REPORT

For the period December 1, 2018 - December 31, 2018

Trade date Settle date	Cusip	Transaction	Sec type	Description	Maturity	Par value or shares	Realized gain(loss)	Principal	Interest	Transaction total
12/01/2018 12/01/2018	594918AC8	Income	Corporate Bonds	MICROSOFT CORP 4.2%	06/01/2019	500,000.00	0.00	0.00	10,500.00	10,500.00
12/06/2018 12/06/2018	94988J5G8	Income	Corporate Bonds	WELLS FARGO BANK NA 2.15%	12/06/2019	500,000.00	0.00	0.00	5,375.00	5,375.00
12/14/2018 12/14/2018	313376BR5	Income	Government Agencies	FEDERAL HOME LN BKS CONS	12/14/2018	1,000,000.00	0.00	0.00	8,750.00	8,750.00
12/14/2018 12/14/2018	313376BR5	Capital Change	Government Agencies	FEDERAL HOME LN BKS CONS	12/14/2018	(1,000,000.00)	0.00	1,000,000.00	0.00	1,000,000.00
12/14/2018 12/14/2018	313379EE5	Income	Government Agencies	FEDERAL HOME LOAN BANK	06/14/2019	500,000.00	0.00	0.00	4,062.50	4,062.50
12/14/2018 12/14/2018	3134GAFJ8	Income	Government Agencies	FHLMC TRANCHE # TR 00129 1	12/14/2018	1,000,000.00	0.00	0.00	5,000.00	5,000.00
12/14/2018 12/14/2018	3134GAFJ8	Capital Change	Government Agencies	FHLMC TRANCHE # TR 00129 1	12/14/2018	(1,000,000.00)	0.00	1,000,000.00	0.00	1,000,000.00
12/14/2018 12/14/2018	3135G0G72	Income	Government Agencies	FNMA FANNIE MAE 1.125% DUE	12/14/2018	1,000,000.00	0.00	0.00	5,625.00	5,625.00
12/14/2018 12/14/2018	3135G0G72	Capital Change	Government Agencies	FNMA FANNIE MAE 1.125% DUE	12/14/2018	(1,000,000.00)	0.00	1,000,000.00	0.00	1,000,000.00
12/14/2018 12/17/2018	3135G0R39	Bought	Government Agencies	FANNIE MAE 1% 24OCT2019	10/24/2019	1,500,000.00	0.00	(1,478,355.00)	(2,208.33)	(1,480,563.33)
12/14/2018 12/17/2018	3137EAEH8	Bought	Government Agencies	FREDDIE MAC 1.375%	08/15/2019	1,295,000.00	0.00	(1,284,083.15)	(6,034.34)	(1,290,117.49)
12/15/2018 12/15/2018	912828U73	Income	Government Bonds	USA TREASURY 1.375%	12/15/2019	500,000.00	0.00	0.00	3,437.50	3,437.50
12/21/2018 12/21/2018	3130A8DB6	Income	Government Agencies	FEDERAL HOME LOAN BANK	06/21/2019	500,000.00	0.00	0.00	2,812.50	2,812.50
12/29/2018 12/29/2018	3134GBN40	Income	Government Agencies	FREDDIE MAC 1.625%	06/29/2020	1,200,000.00	0.00	0.00	9,750.00	9,750.00
12/31/2018 12/31/2018	912828TC4	Income	Government Bonds	USA TREASURY 1% 30JUN2019	06/30/2019	500,000.00	0.00	0.00	2,500.00	2,500.00
12/31/2018		Income	Cash and Cash Equivalents	Cash		0.00	0.00	0.00	2,342.08	2,342.08

ADDITIONAL INFORMATION

As of December 31, 2018

Past performance is not a guide to future performance. The value of investments and any income from them will fluctuate and is not guaranteed (this may partly be due to exchange rate changes) and investors may not get back the amount invested. Transactions in foreign securities may be executed and settled in local markets. Performance comparisons will be affected by changes in interest rates. Investment returns fluctuate due to changes in market conditions. Investment involves risk, including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. The information contained herein is for your reference only and is being provided in response to your specific request and has been obtained from sources believed to be reliable; however, no representation is made regarding its accuracy or completeness. This document must not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or otherwise not permitted. This document should not be duplicated, amended, or forwarded to a third party without consent from Insight. This is a marketing document intended for professional clients only and should not be made available to or relied upon by retail clients.

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Where indicated, performance numbers used in the analysis are gross returns. The performance reflects the reinvestment of all dividends and income. INA charges management fees on all portfolios managed and these fees will reduce the returns on the portfolios. For example, assume that \$30 million is invested in an account with INA, and this account achieves a 5.0% annual return compounded monthly, gross of fees, for a period of five years. At the end of five years that account would have grown to \$38,500,760 before the deduction of management fees. Assuming management fees of 0.25% per year are deducted monthly from the account, the value at the end of the five year period would be \$38,022,447. Actual fees for new accounts are dependent on size and subject to negotiation. INA's investment advisory fees are discussed in Part 2A of its Form ADV.

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For trading activity the Clearing broker will be reflected. In certain cases the Clearing broker will differ from the Executing broker.

In calculating ratings distributions and weighted average portfolio quality, Insight assigns U.S Treasury and U.S agency securities a quality rating based on the methodology used within the respective benchmark index. When Moodys, S&P and Fitch rate a security, Bank of America and Merrill Lynch indexes assign a simple weighted average statistic while Barclays indexes assign the median statistic. Insight assigns all other securities the lower of Moodys and S&P ratings.

Information about the indices shown here is provided to allow for comparison of the performance of the strategy to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index and the indices represented do not take into account trading commissions and/or other brokerage or custodial costs. The volatility of the indices may be materially different from that of the strategy. In addition, the strategies holdings may differ substantially from the securities that comprise the indices shown.

The BofA Merrill Lynch 3 Mo US T-Bill index is an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income.

The BofA Merrill Lynch 6 Mo US T-Bill index measures the performance of Treasury bills with time to maturity of less than 6 months.

The BofA Merrill Lynch Current 1-Year US Treasury Index is a one-security index comprised of the most recently issued 1-year US Treasury note. The index is rebalanced monthly. In order to qualify for inclusion, a 1-year note must be auctioned on or before the third business day before the last business day of the month.

The BofA Merrill Lynch Current 3-Year US Treasury Index is a one-security index comprised of the most recently issued 3-year US Treasury note. The index is rebalanced monthly. In order to qualify for inclusion, a 3-year note must be auctioned on or before the third business day before the last business day of the month.

The BofA Merrill Lynch Current 5-Year US Treasury Index is a one-security index comprised of the most recently issued 5-year US Treasury note. The index is rebalanced monthly. In order to qualify for inclusion, a 5-year note must be auctioned on or before the third business day before the last business day of the month.

The BofA Merrill Lynch 1-3 US Year Treasury Index is an unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one year and less than three years.

The BofA Merrill Lynch 1-5 US Year Treasury Index is an unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one year and less than five years.

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ADDITIONAL INFORMATION

As of December 31, 2018

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