



INVESTMENT REPORT

December 31, 2018

The Quarterly Investment Report for the City of Athens, Texas, for the quarter ended December 31, 2018 is hereby submitted.

The current depository bank for the City of Athens is Prosperity Bank. The City maintains 17 money market accounts and earns a rate determined by the bank (approximately .35%) and to offset banking expenses for all accounts based on daily balance requirements. Interest bearing checking accounts are now considered an investment under the Public Funds Investment Act and per the 2017 legislative changes. See PFIA Section 2256.009(a), “clarifying that interest-bearing bank accounts insured by FDIC or the National Credit Union Share Insurance Fund are authorized investments.” HB 1003 modified in June 2017.

The City received \$12,175,837.20 of bond proceeds in January 2017 for Series 2017 Certificates of Obligations and the monies were deposited into the Capital Improvement Fund in TexPool. The total interest earned at the bank and the pools were \$86,292.08 for the quarter.

TexPool average interest rate was 2.21% for the quarter with a weighted average maturity at 31 days. The total TexPool interest earned was \$83,492.70. TexPool’s liquid asset portfolio seeks to maintain a net asset value of \$1 per unit invested to preserve the principal of all pool participants.

Prosperity Bank earned a quarterly interest of \$2,799.38 for all accounts. The bank accounts are insured by a combination of FDIC insurance and pledged securities which are maintained at the HilltopBancSystems, a Division of Hilltop Securities with coverage at 102%.

This report is in compliance with the City of Athens’ investment policy and the Public Funds Investment Act.

Elizabeth Borstad
City Manager

Mandie Quigg
Investment Officer



City of Athens

Cash in the Bank and Investments at December 31, 2018

| | Beginning Balance 10/1/2018 | Oct-18 | | | Nov-18 | | | Dec-18 | | | Ending Balance 12/31/2018 |
|---|--------------------------------|------------------------|------------------------|---------------------|------------------------|------------------------|---------------------|------------------------|------------------------|---------------------|------------------------------|
| | | Deposits | Withdrawals | Interest Earned | Deposits | Withdrawals | Interest Earned | Deposits | Withdrawals | Interest Earned | |
| PROSPERITY BANK | | | | | | | | | | | |
| General Fund | | | | | | | | | | | |
| General Fund #0061 | 845,755.27 | 896,875.13 | 1,185,024.67 | 235.50 | 999,021.35 | 896,824.43 | 256.28 | 1,735,031.15 | 1,184,718.38 | 252.03 | 1,210,115.42 |
| Payroll Clearing #6471 | 2,619.65 | 754,708.12 | 494,857.40 | 19.43 | 570,712.35 | 807,480.47 | 12.84 | 532,090.70 | 495,875.29 | 12.52 | 61,917.66 |
| Special Donations Fund #6551 | 43,808.81 | 12.83 | 2,914.92 | 12.83 | 26,387.38 | - | 12.38 | 3,920.16 | 5,245.00 | 20.16 | 65,969.26 |
| Accounts Payable Fund #7011 | 431,610.20 | 1,063,460.66 | 898,422.52 | 105.08 | 618,516.18 | 953,381.80 | 60.64 | 1,291,950.58 | 1,301,760.27 | 120.19 | 251,973.03 |
| AEDC Payroll Clearing #0861 | 14,414.88 | 75,762.21 | 39,332.28 | 12.21 | 12.66 | 19,486.45 | 12.66 | 5.27 | 23,768.95 | 5.27 | 7,607.34 |
| Airport Fund | | | | | | | | | | | |
| Airport Operations Fund #0811 | 20,780.61 | 8,252.98 | 6,037.30 | 5.81 | 3,528.19 | 356.59 | 6.95 | 1,927.48 | 878.82 | 7.86 | 27,216.55 |
| Airport Grants Fund #0926 | 12,707.46 | 3.78 | - | 3.78 | 3.66 | - | 3.66 | 3.78 | - | 3.78 | 12,718.68 |
| Debt Service Fund | | | | | | | | | | | |
| Interest and Sinking Fund #6981 | 1,805.39 | 66,431.90 | 24,293.61 | 4.47 | 50,685.53 | 8,675.02 | 19.34 | 216,644.77 | 8,425.02 | 51.63 | 294,173.94 |
| Special Revenue Funds | | | | | | | | | | | |
| Municipal Court Technology Fund #0221 | 9,579.94 | 2.85 | - | 2.85 | 2.76 | - | 2.76 | 2.85 | - | 2.85 | 9,588.40 |
| Forfeited Cash-Local #0571 | 39,262.15 | 11.67 | - | 11.67 | 11.30 | - | 11.30 | 11.68 | - | 11.68 | 39,296.80 |
| Forfeited Cash-Federal #6041 | - | - | - | - | - | - | - | - | - | - | - |
| Hotel Motel Fund #7281 | 381,178.70 | 25,111.41 | 21,371.89 | 116.19 | 24,826.20 | 7,594.56 | 114.71 | 28,435.14 | 10,393.73 | 123.81 | 420,191.27 |
| Energy Grants Fund (AO 11.01 GF Grants) #0491 | 0.03 | - | - | - | - | 0.03 | - | - | - | - | - |
| Downtown Capital Projects Fund #6711 | 107.74 | 0.03 | - | 0.03 | 0.03 | - | 0.03 | 0.03 | - | 0.03 | 107.83 |
| Utility Fund | | | | | | | | | | | |
| Utility Fund #6631 | 854,823.99 | 727,148.23 | 504,795.77 | 325.21 | 639,332.89 | 255,609.26 | 372.03 | 590,285.21 | 575,715.82 | 436.07 | 1,475,469.47 |
| Utility Fund Grants #0651 | - | - | - | - | - | - | - | - | - | - | - |
| 2004 W/WW Certificates of Obligation #0141 | 12,300.88 | 3.66 | - | 3.66 | 3.54 | - | 3.54 | 3.66 | - | 3.66 | 12,311.74 |
| Subtotal | \$ 2,670,755.70 | \$ 3,617,785.46 | \$ 3,177,050.36 | \$ 858.72 | \$ 2,933,044.02 | \$ 2,949,408.61 | \$ 889.12 | \$ 4,400,312.46 | \$ 3,606,781.28 | \$ 1,051.54 | \$ 3,888,657.39 |
| TEXPOOL INVESTMENTS | | | | | | | | | | | |
| Utility Fund Operating Account #0001 | 2,022,507.61 | 3,682.51 | - | 3,682.51 | 3,668.83 | - | 3,668.83 | 3,943.14 | - | 3,943.14 | 2,033,802.09 |
| Capital Improvement Fund #0002 | 9,927,355.54 | 18,074.12 | 10,446.74 | 18,074.12 | 17,982.82 | 8,757.29 | 17,982.82 | 19,064.76 | 208,398.73 | 19,064.76 | 9,754,874.48 |
| General Fund Investments #0004 | 1,157,991.68 | 2,108.41 | - | 2,108.41 | 2,100.61 | - | 2,100.61 | 2,257.68 | - | 2,257.68 | 1,164,458.38 |
| General Fund Emergency Reserve #0005 | 1,899,892.42 | 3,459.27 | - | 3,459.27 | 3,446.43 | - | 3,446.43 | 3,704.12 | - | 3,704.12 | 1,910,502.24 |
| Subtotal | \$ 15,007,747.25 | \$ 27,324.31 | \$ 10,446.74 | \$ 27,324.31 | \$ 27,198.69 | \$ 8,757.29 | \$ 27,198.69 | \$ 28,969.70 | \$ 208,398.73 | \$ 28,969.70 | \$ 14,863,637.19 |
| Totals | \$ 17,678,502.95 | \$ 3,645,109.77 | \$ 3,187,497.10 | \$ 28,183.03 | \$ 2,960,242.71 | \$ 2,958,165.90 | \$ 28,087.81 | \$ 4,429,282.16 | \$ 3,815,180.01 | \$ 30,021.24 | \$ 18,752,294.58 |
| Quarterly Interest Earned on Prosperity | \$ 2,799.38 | 0.071988% | | | | | | | | | |
| Quarterly Interest Earned on TexPool | \$ 83,492.70 | 0.561725% | | | | | | | | | |
| Total Interest earned 10/01 - 12/31: | \$ 86,292.08 | | | | | | | | | | |

**PROSPERITY BANK
P O DRAWER G
EL CAMPO, TX 77437
979-541-4227 phone
979-543-2971 fax**

January 4, 2019

City of Athens
508 E Tyler
Athens, TX 75751

RE: Balance Confirmation

Please accept the following as confirmation of total deposit balances.

\$3,888,657.39

Please let me know if you need any additional information. I can be reached at (979) 541-4227.

Sincerely,

Prosperity Bank
Banking Officer
Accounting - Treasury

1301 N. Mechanic
P O Drawer G
El Campo, TX 77437



Pledge Security Listing

December 31, 2018

EL CAMPO, TX

| ID | CUSIP | Description | Safekeeping Location | Safekeeping Receipt | Coupon | Maturity Date | Call Date | Moody | S&P | Fitch | ASC 320 | Face Amount | Current Par | Current Book Value | Market Value | Gain(Loss) |
|---------------------------------|-----------|--------------|----------------------|---------------------|--------|---------------|-----------|-------|-----|-------|---------|-------------------|---------------------|---------------------|---------------------|---------------------|
| CITY OF ATHENS | | | | | | | | | | | | | | | | |
| 2493 | 31417ADJ5 | FNMA AB3704 | FHLB | x | 3.00 | 10/01/2021 | | AAA | AA+ | AAA | HTM | 1,707,164 | 127,588.23 | 128,002.08 | 127,459.70 | (542.38) |
| 2516 | 3138AXXQ9 | FNMA AJ6086 | FHLB | x | 3.00 | 12/01/2026 | | AAA | AA+ | AAA | HTM | 1,100,000 | 264,483.30 | 266,140.81 | 264,542.74 | (1,598.08) |
| 3544 | 31417DRU9 | FNMA AB6798 | FHLB | | 2.00 | 11/01/2027 | | AAA | AA+ | AAA | HTM | 1,001,207 | 409,205.26 | 412,711.95 | 396,211.13 | (16,500.82) |
| 3546 | 31410LKN1 | FNMA 890501 | FHLB | | 2.00 | 11/01/2027 | | AAA | AA+ | AAA | HTM | 2,250,000 | 937,703.63 | 946,155.42 | 907,698.64 | (38,456.77) |
| 3607 | 3138EKX1 | FNMA AL3041 | FHLB | | 2.00 | 02/01/2028 | | AAA | AA+ | AAA | HTM | 2,210,781 | 941,010.89 | 948,165.07 | 910,217.06 | (37,948.02) |
| 3997 | 3138WAR66 | FNMA AS1408 | FHLB | | 3.00 | 01/01/2029 | | AAA | AA+ | AAA | HTM | 1,009,042 | 401,559.80 | 407,713.40 | 401,508.92 | (6,204.48) |
| 3999 | 3128MMRT2 | FHLMC G18497 | FHLB | | 3.00 | 01/01/2029 | | AAA | AA+ | AAA | HTM | 1,000,000 | 411,234.93 | 416,323.57 | 411,521.19 | (4,802.38) |
| 4002 | 31418A6C7 | FNMA MA1766 | FHLB | | 2.50 | 01/01/2024 | | AAA | AA+ | AAA | HTM | 1,700,000 | 476,625.29 | 480,838.99 | 471,923.88 | (8,915.11) |
| 4189 | 3128MEBZ3 | FHLMC G15256 | FHLB | | 2.50 | 12/01/2029 | | AAA | AA+ | AAA | HTM | 776,235 | 376,083.96 | 380,816.95 | 365,718.14 | (15,098.81) |
| 4238 | 3128MMTJ2 | FHLMC G18552 | FHLB | | 3.00 | 05/01/2030 | | AAA | AA+ | AAA | HTM | 1,500,000 | 798,769.04 | 821,838.34 | 794,176.11 | (27,662.22) |
| 4259 | 3138WFALO | FNMA AS5410 | FHLB | | 2.50 | 07/01/2030 | | AAA | AA+ | AAA | HTM | 517,750 | 301,592.96 | 303,005.44 | 293,672.38 | (9,333.06) |
| 4895 | 3138WJKU1 | FNMA AS8406 | FHLB | | 2.50 | 11/01/2031 | | AAA | AA+ | AAA | HTM | 1,760,000 | 1,386,043.56 | 1,390,221.48 | 1,349,209.45 | (41,012.03) |
| Total for CITY OF ATHENS | | | | | | | | | | | | 16,532,179 | 6,831,900.85 | 6,901,933.50 | 6,693,859.34 | (208,074.16) |

Although the information in this report has been obtained from sources believed to be reliable, its accuracy cannot be guaranteed.



Monthly Newsletter: January 2019

ANNOUNCEMENTS

We welcome the following entities who joined TexPool in December 2018:

TexPool

- City of Decatur
- Pflugerville Community Development Corporation
- City of Taylor Landing
- Irion County ISD
- Natalia ISD

TexPool Prime

- Montgomery County Drainage District 6
- Lubbock County Hospital District
- Pflugerville Community Development Corporation
- City of Taylor Landing
- Irion County ISD
- Natalia ISD
- City of Waco

Upcoming Events

- Jan 27, 2019 - Jan 30, 2019
Austin
TASA Midwinter Conference
- Feb 25, 2019 - Feb 27, 2019
San Antonio
GTOT Winter Conference
- Mar 5, 2019 - Mar 6, 2019
San Antonio
TASBO Annual Conference

TexPool Advisory Board Members

- | | |
|--------------------|-----------------|
| Jose Elizondo, Jr. | Vivian Wood |
| Belinda Weaver | Jerry Dale |
| Patrick Krishock | Sharon Matthews |
| Michele Tuttle | David Landeros |

Overseen by the State of Texas Comptroller of Public Accounts Glenn Hegar.

Operated under the supervision of the Texas Treasury Safekeeping Trust Company

Economic and Market Commentary: Look for cash to be key, if not king, in 2019

January 1, 2019

The Federal Reserve acted correctly at its December meeting when it raised rates 25 basis points to a target range of 2.25%–2.50% and pulled back its 2019 projections to two hikes from three. These moves fit with how the economy is performing now and how it might moderate in the near future. Further, the unanimous statement and Chair Powell’s no-nonsense press conference suggest policymakers want to simplify their message. Look for them to constantly reiterate that their decisions are based on keeping inflation stable and maintaining strong employment—their mandate. They also likely will remind us that their policy tool is the federal funds rate, not the runoff of the balance sheet, and that they disregard market volatility and politics. Keep in mind that every meeting will have a press conference and the potential for policy action.

Inflows to liquidity products likely will continue, spurred by equity market volatility. The question is that, when the markets eventually settle down, how much of the influx will remain due to the high level of return cash is now offering compared to the recent past and the expectation that the return will grow if rates continue to rise. Indeed, we expect a rate hike to come in the first half of this year with one more arriving in the second half before a potential pause, with the \$50 billion-a-month flood of securities from quantitative tapering putting additional upward pressure on rates.

(continued page 6)

Performance as of December 31, 2018

| | TexPool | TexPool Prime |
|-------------------------------------|---------------------|--------------------|
| Current Invested Balance | \$19,425,767,971.81 | \$5,502,626,706.06 |
| Weighted Average Maturity** | 21 | 28 |
| Weighted Average Life** | 78 | 53 |
| Net Asset Value | 0.99994 | 0.99990 |
| Total Number of Participants | 2520 | 361 |
| Management Fee on Invested Balance | 0.0473% | 0.0638% |
| Interest Distributed | \$34,341,038.26 | \$10,810,835.26 |
| Management Fee Collected | \$656,879.68 | \$250,300.26 |
| Standard & Poor’s Current Rating | AAAm | AAAm |
| Month Averages | | |
| Average Invested Balance | \$17,945,712,677.23 | \$5,106,584,508.29 |
| Average Monthly Rate* | 2.29% | 2.49% |
| Average Weighted Average Maturity** | 27 | 30 |
| Average Weighted Average Life** | 87 | 61 |

*This average monthly rate for TexPool Prime for each date may reflect a waiver of some portion or all of each of the management fees.

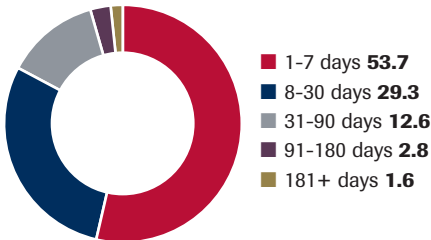
**See page 2 for definitions.

Past performance is no guarantee of future results.



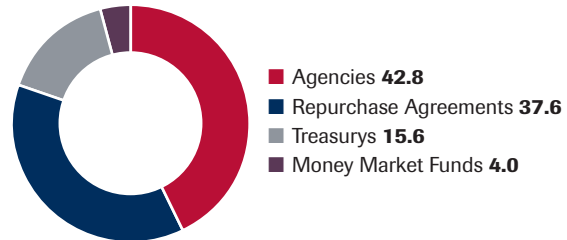
Portfolio by Maturity (%)

As of December 31, 2018



Portfolio by Type of Investment (%)

As of December 31, 2018



Portfolio Asset Summary as of December 31, 2018

| | Book Value | Market Value |
|--|----------------------------|----------------------------|
| Uninvested Balance | \$1,110,994.83 | \$1,110,994.83 |
| Receivable for Investments Sold | 0.00 | 0.00 |
| Accrual of Interest Income | 17,621,089.26 | 17,621,089.26 |
| Interest and Management Fees Payable | -34,346,747.22 | -34,346,747.22 |
| Payable for Investments Purchased | 0.00 | 0.00 |
| Accrued Expenses & Taxes | -21,422.15 | -21,422.15 |
| Repurchase Agreements | 7,320,515,500.00 | 7,320,515,500.00 |
| Mutual Fund Investments | 769,227,103.88 | 769,227,103.88 |
| Government Securities | 8,324,646,304.11 | 8,323,536,674.91 |
| U.S. Treasury Inflation Protected Securities | 454,862,699.02 | 454,730,949.80 |
| US Treasury Bills | 2,436,404,206.29 | 2,436,404,286.73 |
| US Treasury Notes | 135,748,243.79 | 135,763,170.59 |
| Total | \$19,425,767,971.81 | \$19,424,541,600.63 |

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Counseling and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool. The only source of payment to the Participants is the assets of TexPool. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

Participant Summary

| | Number of Participants | Balance |
|------------------|------------------------|--------------------|
| School District | 591 | \$6,503,030,403.39 |
| Higher Education | 58 | \$874,364,312.35 |
| Healthcare | 83 | \$615,040,428.13 |
| Utility District | 799 | \$2,565,306,972.36 |
| City | 465 | \$4,828,156,045.12 |
| County | 186 | \$1,839,028,474.29 |
| Other | 338 | \$2,203,506,733.20 |

**Definition of Weighted Average Maturity and Weighted Average Life

WAM is the mean average of the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid, (b) would be repaid upon a demand by TexPool, or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates set forth in (b) and (c) if their scheduled maturity is 397 days or less; and the later of the two dates set forth in (b) and (c) if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

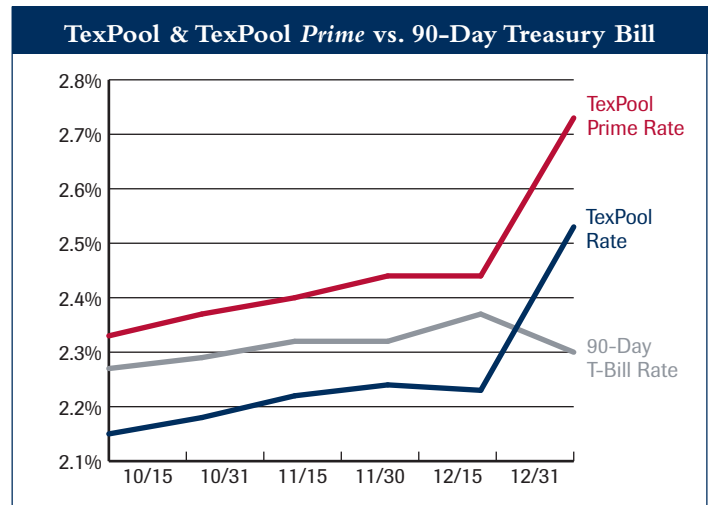
WAL is calculated in the same manner as WAM, but is based solely on the periods of time remaining until the securities held in TexPool (a) are scheduled to be repaid or (b) would be repaid upon a demand by TexPool, without reference to when interest rates of securities within TexPool are scheduled to be readjusted.



Participant Services
 1001 Texas Ave. 14th Floor
 Houston, TX 77002

We think “steady” will be the watchword in 2019: steady corporate-earnings, economic performance and Fed communication. A recession may be coming, but has not yet appeared above the horizon. The Fed likely will be more watchful and data dependent about policy. This bodes well for liquidity products such as TexPool and TexPool Prime. Rare are cash managers and investors who don’t like to earn a return above inflation in less-risky products. We think that in 2019, cash will be key, if not king.

In December, the short end of the London interbank offered rate (Libor) steepened ahead of the policy move. One-month Libor rose from 2.35% to 2.50% and 3-month from 2.74% to 2.81%. However, 6-month Libor slipped from 2.89% to 2.88%. The average weighted average maturity (WAM) of TexPool in December was 27 days, while that of TexPool Prime was 30.



90-Day Treasury Bill is a short-term debt instrument backed by the national government. These are used to collect immediate cash to meet outstanding obligations.

Any private investor can invest in a Treasury bill. The 90-Day Treasury Bill is a weighted average rate of the weekly auctions of 90-Day Treasury Bills.

Past performance is no guarantee of future results.