



INVESTMENT REPORT

September 30, 2017

The Quarterly Investment Report for the City of Athens, Texas, for the quarter ended September 30, 2017 is hereby submitted.

The current depository bank for the City of Athens is Prosperity Bank. The City maintains 14 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 for the Series 2016 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 was \$42,504.25 for the quarter.

TexPool average interest rate was .9938% for the quarter with a weighted average maturity at 30 days. The total Texpool interest earned was \$36,494.44. 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 \$6,009.81 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 following the City of Athens' investment policy in regards to compliance and the City continues to look for ways to diversify all funds and reduce overall risk.

Gary Whittle
Interim City Manager

Marty Coursey, CGFO
Investment Officer

Cash in the Bank and Investments at September 30, 2017

| | Jul-17 | | | Aug-17 | | | Sep-17 | | | Ending Balance | |
|---|--------------------------------------|---------------------|---------------------|------------------------|---------------------|---------------------|------------------------|---------------------|---------------------|------------------------|----------------------|
| PROSPERITY BANK | Beginning Balance at 7/1/2017 | Deposits | Withdrawals | Interest Earned | Deposits | Withdrawals | Interest Earned | Deposits | Withdrawals | Interest Earned | at 9/30/2017 |
| General Fund | | | | | | | | | | | |
| General Fund-Operations | 3,945,473.04 | 770,810.65 | 1,096,098.80 | 1,141.52 | 645,797.24 | 1,075,000.78 | 1,029.48 | 836,682.84 | 1,404,123.23 | 891.21 | 2,626,603.17 |
| Payroll Clearing | 155,739.01 | 514,092.21 | 500,779.65 | 51.40 | 524,215.58 | 525,670.63 | 52.65 | 493,082.63 | 497,693.97 | 53.92 | 163,143.15 |
| Special Donations Fund | 69,095.39 | 500.00 | 3,960.00 | 20.38 | - | 250.00 | 19.45 | 100.00 | - | 18.83 | 65,544.05 |
| Accounts Payable Fund | 436,568.15 | 2,368,593.26 | 2,748,354.92 | 123.24 | 1,283,641.43 | 1,107,750.21 | 70.23 | 1,541,599.91 | 1,293,504.78 | 83.15 | 481,069.46 |
| AEDC Payroll Clearing | 30,465.46 | - | 19,881.91 | 6.37 | 42,000.00 | 21,200.69 | 1.01 | - | 20,561.70 | 5.54 | 10,834.08 |
| Airport Operations Fund | 197,806.41 | 3,325.66 | 3,041.16 | 58.92 | 2,461.70 | 16,761.43 | 58.01 | 5,949.00 | 4,265.74 | 53.03 | 186,244.58 |
| Debt Service Fund | | | | | | | | | | | |
| Interest and Sinking Fund | 462,163.37 | 4,529.25 | 429,249.14 | 116.62 | 3,690.36 | 29,262.27 | 9.21 | 4,103.61 | 3,217.15 | 4.15 | 12,888.01 |
| Special Revenue Funds | | | | | | | | | | | |
| Municipal Court Technology Fund | 590.23 | - | - | 0.18 | - | - | 0.18 | - | - | 0.17 | 590.76 |
| Forfeited Cash-Local | 36,706.71 | - | - | 10.91 | - | - | 10.91 | - | - | 10.57 | 36,739.10 |
| Hotel Motel Fund | 575,519.54 | 32,762.38 | 14,098.92 | 174.35 | 31,498.47 | 29,764.29 | 178.60 | 23,224.74 | 20,505.15 | 173.07 | 599,162.79 |
| Utility Fund | 1,397,495.89 | 634,008.61 | 1,069,939.16 | 417.99 | 638,281.40 | 655,290.07 | 291.60 | 656,956.12 | 504,539.41 | 306.10 | 1,097,989.07 |
| Energy Grants Fund | 209.99 | - | - | 0.06 | - | - | 0.06 | - | - | 0.06 | 210.17 |
| Capital Projects Fund | | | | | | | | | | | |
| 2004 W/W Certificates of Obligat | 807,309.31 | - | 290,842.50 | 202.20 | - | - | 153.58 | - | 102,362.50 | 146.71 | 414,606.80 |
| Downtown Capital Projects Fund | 94,025.26 | - | 19,802.00 | 23.69 | - | 5,526.00 | 21.35 | 9,027.50 | 5,750.00 | 19.15 | 72,038.95 |
| Subtotal | 8,209,167.76 | 4,329,222.22 | 6,196,048.18 | 2,347.83 | 3,171,586.18 | 3,466,476.37 | 1,896.32 | 3,570,726.35 | 3,856,523.63 | 1,765.66 | 5,767,664.14 |
| TEXPOOL INVESTMENTS | | | | | | | | | | | |
| Utility Fund Operating Account | 1,213,039.06 | - | - | 1,000.78 | - | - | 1,029.97 | - | - | 1,013.81 | 1,216,083.62 |
| Capital Improvement Fund | 11,926,114.30 | - | 81,621.12 | 9,804.69 | - | 15,457.09 | 10,049.38 | - | 284,866.41 | 9,790.28 | 11,573,814.03 |
| General Fund Investments | 5,377.77 | - | - | 4.42 | - | - | 4.65 | - | - | 4.50 | 5,391.34 |
| General Fund Emergency Reserve | 1,510,795.66 | - | - | 1,246.46 | - | - | 1,282.84 | - | - | 1,262.66 | 1,514,587.62 |
| 2004 W/S bond Capital Projects | - | - | - | - | - | - | - | - | - | - | - |
| Subtotal | 14,655,326.79 | - | 81,621.12 | 12,056.35 | - | 15,457.09 | 12,366.84 | - | 284,866.41 | 12,071.25 | 14,309,876.61 |
| Totals | 22,864,494.55 | 4,329,222.22 | 6,277,669.30 | 14,404.18 | 3,171,586.18 | 3,481,933.46 | 14,263.16 | 3,570,726.35 | 4,141,390.04 | 13,836.91 | 20,077,540.75 |
| Quarterly interest earned on Prosperity | 6,009.81 | 0.104198% | | | | | | | | | |
| Quarterly interest earned on Pools | 36,494.44 | 0.255030% | | | | | | | | | |
| Total Interest earned for 06/30/2017 | 42,504.25 | | | | | | | | | | |



Monthly Newsletter: September 2017

ANNOUNCEMENTS

We welcome the following entities who joined TexPool in August 2017:

TexPool
Comal County ESD 7
Harris County ESD 8
City of Kenedy

TexPool Prime
Greater Northside Management District
City of Kenedy
Wise County

Upcoming Events

Sep 11, 2017 - Sep 14, 2017
69th Annual County Treasurers' of Texas
Annual Conference
Dallas/Addicks

Oct 03, 2017 - Oct 06, 2017
TML Conference
Houston

Oct 06, 2017 - Oct 08, 2017
TASA/TASB Annual Conference
Dallas

Oct 16, 2017 - Oct 20, 2017
TACA Fall Conference
Allen

TexPool Advisory Board Members

| | |
|-------------------|-----------------|
| Jose Elzondo, Jr. | Vivian Wood |
| Helinda Erwin | Jerry Dale |
| Patrick Krishock | Sharon Matthews |
| Michele Turde | 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: Yellen's lecture in the mountains

September 1, 2017

Janet Yellen picked a poor time for a history lesson, and for slapping herself and the Federal Reserve on the back.

As uncertainty and rhetoric about the federal budget and the debt ceiling were building, the Fed Chair used her elevated platform at late August's Jackson Hole, Wyo., global central-bank symposium to look to the past. She tried to make the case that the Fed's actions during and after the financial crisis, especially its new regulations, strengthened the banking system without clipping the economy's wings. She warned about the potential dangers of undoing these rules. That seemed directed to President Trump, who is no fan of regulation. In fact, many assumed this speech surely means Trump will not nominate her for a second term.

We know Yellen always will be an academic at heart—this is not the first time she has taken that role in her tenure—and we realize she deeply believes the Fed's post-crisis policy and intervention made a difference. In particular, she asserts that the largest banks are now much more creditworthy, resilient and liquid. But she should have offered information about late September's Federal Open Market Committee (FOMC) meeting, even if she only more-or-less confirmed the Fed will begin to unwind its massive balance sheet then.

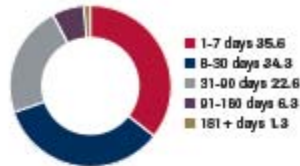
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| Performance as of August 31, 2017 | | |
|-------------------------------------|---------------------|--------------------|
| | TexPool | TexPool Prime |
| Current Invested Balance | \$16,024,258,604.00 | \$4,104,330,212.14 |
| Weighted Average Maturity** | 80 | 47 |
| Weighted Average Life** | 95 | 72 |
| Net Asset Value | 1.00003 | 1.00007 |
| Total Number of Participants | 2,427 | 281 |
| Management Fee on Invested Balance | 0.0475% | 0.0638% |
| Interest Distributed | \$13,851,619.58 | \$4,200,025.74 |
| Management Fee Collected | \$639,583.00 | \$195,736.00 |
| Standard & Poor's Current Rating | AAAm | AAAm |
| Month Averages | | |
| Average Invested Balance | \$16,402,640,761.58 | \$4,077,614,721.47 |
| Average Monthly Rate* | 0.0089% | 1.2418% |
| Average Weighted Average Maturity** | 82 | 51 |
| Average Weighted Average Life** | 96 | 75 |

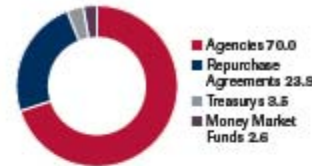
*This average monthly rate for TexPool Prime for each date may reflect a waiver of some portion or all of each of the management fees.
**See page 2 for definitions.
Past performance is no guarantee of future results.



Portfolio by Maturity (%)
As of August 31, 2017



Portfolio by Type of Investment (%)
As of August 31, 2017



Portfolio Asset Summary as of August 31, 2017

| | Book Value | Market Value |
|--|----------------------------|----------------------------|
| Uninvested Balance | -\$1,239,077.99 | -\$1,239,177.99 |
| Receivable for Investments Sold | 0.00 | 0.00 |
| Accrual of Interest Income | 6,197,552.95 | 6,197,552.95 |
| Interest and Management Fees Payable | -13,852,433.68 | -13,852,433.68 |
| Payable for Investments Purchased | 0.00 | 0.00 |
| Accrued Expenses & Taxes | -19,975.52 | -19,975.52 |
| Repurchase Agreements | 3,840,181,000.00 | 3,840,181,000.00 |
| Mutual Fund Investments | 415,022,103.68 | 415,022,103.68 |
| Government Securities | 11,222,783,767.47 | 11,223,906,109.22 |
| U.S. Treasury Inflation Protected Securities | 0.00 | 0.00 |
| US Treasury Bills | 364,442,525.55 | 364,454,626.85 |
| US Treasury Notes | 200,763,390.74 | 200,889,288.50 |
| Total | \$16,024,258,684.00 | \$16,024,732,184.61 |

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investment Consulting 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 | 583 | \$4,893,557,706.00 |
| Higher Education | 57 | \$695,372,077.48 |
| Healthcare | 81 | \$567,414,959.89 |
| Utility District | 764 | \$2,366,802,707.08 |
| City | 467 | \$4,006,463,693.10 |
| County | 185 | \$1,626,804,814.96 |
| Other | 300 | \$1,647,041,103.53 |

****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 adjusted 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 adjusted.

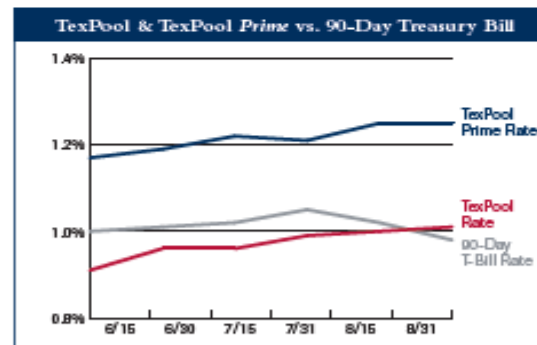


Participant Services
1001 Texas Ave. 14th Floor
Houston, TX 77002

So we must go back to July's meeting minutes and to recent speeches by other Fed officials to glean what might happen. They seemed to point to the FOMC addressing the balance sheet in September and tightening in December. But the markets are not believing the latter right now, pricing in far less than 50% of a hike happening by year-end. In fact, it is not until June of 2018 that there is full expectation of another move. There are no market-based odds on the balance-sheet reduction, but we think it will happen. It will be the Fed's way of saying it is still committed to policy normalization.

The short end of the Treasury curve decreased slightly over August, with 1-month and 3-month Treasury yields falling from 0.98% to 0.96% and 1.07% to 1.02%, respectively. The London interbank offered rate (Libor) was stable, reflecting that the next Fed move likely won't happen this year. It rose only marginally over last month, with 1-month Libor remaining at 1.23%, 3-month increasing from 1.31% to 1.32% and 6-month decreasing from 1.46% to 1.45%.

The weighted average maturity for TexPool was 30 days and 47 days for TexPool Prime. We continue to buy floaters as we see them in attractive form. But even in this time of Libor stasis, it is important to remember that we are still in a rising-rate environment and, industry-wide, Local Government Investment Pools such as TexPool and TexPool Prime remain more responsive than bank deposit vehicles because pools trace increasing rates better and quicker on a historical basis. More than ever, the rallying call for cash managers is that the time is ripe for joining pools or increasing assets in them.



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.