

4th QUARTER 2014 INVESTMENT REPORT As of December 31, 2014

Presented by Karen Goschen, Deputy Executive Director/Finance Director

BACKGROUND:

The Port revised its Investment Policy in December 2010 by approving Resolution No. 10-987. The revised policy included specific reporting requirements. On November 13, 2012 the Commissioners revised the policy guidance to allow the purchase of securities carrying one of the three highest credit ratings instead of only the two highest ratings.

MANAGEMENT SUMMARY

During 2014 the Port implemented investment software starting with the ending balances for 2012. The software provides better tracking of investments, accounting and reporting.

The attached reports provide information to allow the Port Commissioners to ascertain whether investment activities during the reporting period have conformed to the investment policy. The Port has continued to earn an investment return that is higher than the benchmark rates. However, as investments mature or are called, the proceeds are reinvested at market rates, which are lower. Therefore, the investment returns will trend lower.

Comparison of Investment Yields to Benchmark Rates

| Average Weighted Maturity | Average Weighted Yield | Benchmark Securities | Benchmark Rates |
|--|------------------------|------------------------------------|-----------------|
| 3.23 years | 2.134% | 3 rd Quarter 2012 | 0.10% to 1.65% |
| 3.35 years | 1.824% | 4 th Quarter 2012 | 0.01% to 0.72% |
| 3.82 years | 1.885% | 1 st Quarter 2013 | 0.06% to 0.92% |
| 3.69 years | 1.843% | 2 nd Quarter 2013 | 0.03% to 1.49% |
| 3.51 years | 1.833% | 3 rd Quarter 2013 | 0.00% to 1.85% |
| 3.38 years | 1.663% | 4 th Quarter 2013 | 0.02% to 1.75% |
| <i>Combined with Qtr 2 due to implementing new investment software</i> | | <u>1st Quarter 2014</u> | 0.02% to 1.77% |
| | | 90 Day T-Bill | 0.02% to 0.08% |
| | | 1 Year T-Note | 0.10% to 0.15% |
| | | 2 Year T-Note | 0.30% to 0.47% |
| | | 3 Year T-Note | 0.64% to 0.93% |
| 4.32 years | | <u>2nd Quarter 2014</u> | 0.01% to 1.80% |
| | | 90 Day T-Bill | 0.01% to 0.04% |
| | | 1 Year T-Note | 0.09% to 0.13% |
| | | 2 Year T-Note | 0.35% to 0.51% |
| | | 3 Year T-Note | 0.76% to 0.99% |
| | | 5 Year T-Note | 1.50% to 1.80% |

| Average Weighted Maturity | Average Weighted Yield | Benchmark Securities | Benchmark Rates |
|---------------------------|------------------------|------------------------------------|------------------|
| 3.88 years | 1.550% | <u>3rd Quarter 2014</u> | 0.01% to 1.85% |
| | | 90 Day T-Bill | 0.01% to 0.04% |
| | | 1 Year T-Note | 0.09% to 0.13% |
| | | 2 Year T-Note | 0.42% to 0.59% |
| | | 3 Year T-Note | 0.86% to 0.1.10% |
| | | 5 Year T-Note | 1.55% to 1.85% |
| 3.75 years | 1.550% | <u>4th Quarter 2014</u> | 0.01% to 1.76% |
| | | 90 Day T-Bill | 0.01% to 0.05% |
| | | 1 Year T-Note | 0.09% to 0.28% |
| | | 2 Year T-Note | 0.34% to 0.73% |
| | | 3 Year T-Note | 0.73% to 0.1.19% |
| | | 5 Year T-Note | 1.37% to 1.76% |

Benchmark rates are continuing to slightly increase in the 1 year and 3 year Treasury note.

2014: Investment Approach

Based on an analysis of the current holdings, the Port has continued to increase the diversification of maturity dates by primarily purchasing bonds that mature within 1 to 3 years and purchasing securities that mature mid-year since the majority of our holdings mature in December. Although there is an opportunity to balance the portfolio by also purchasing bonds with maturities in later years, the preference is to maintain a portfolio weighted toward the near term because of the likelihood of the Fed to start raising interest rates in mid to late 2015. Rates have begun to move up slightly in the longer term maturities.

4th Quarter Comments

Economic Data: While the US economy has been slowly improving, 4th quarter 2014 growth came in lower than expected and there are signs of the economy slowing as we head into 1st quarter of 2015. Additionally, the International Monetary Fund lowered its forecast of economic growth for 2015 and 2016 and called for governments and central banks to pursue accommodative monetary policies. The Fed is caught in a tough spot with all the uncertainty. The Federal Open Market Committee (FOMC) left the Fed Funds target rate at 0.00% to 0.25% at its last meeting on January 28, 2015. At the prior FOMC meeting in December 2014, the Fed changed its guidance for starting to increase the Fed's Fund rate from maintaining low rates for "a considerable time" to a more nebulous "data dependent" terminology. This provides the Fed more discretion and flexibility to consider multiple factors affecting the economic picture instead of its previous goal posts of less than 6% unemployment and more than 2% inflation. At the January 2015, meeting, the Fed stated it can be "patient" in starting to raise rates. December 2014 Unemployment rate was 5.6% (Fed target 5.2% to 5.6%). The 2014 annual average was 6.2%; 2013 annual average was 7.4%. December inflation was .75% (Fed target 2%). The Fed uses PCE inflation (Personal Consumption Expenditures) since it is a broader base of goods than the CPI (Consumer Price Index). The ten year average for PCE inflation is 1.96%. The Fed is not expected to start increasing rates until mid-2015.

Investment Activity

| Security | Activity | Amount | Comments |
|---|---------------------|------------------------|--|
| FNMA Fannie Mae .50% Due 08/20/15 | Called 11/20/14 | \$ 500,000.00 | Yield slightly over .44% (purchased at premium) |
| Port of Pasco 2%, Due 12/01/2014 | Matured 12/01/14 | \$ 125,000.00 | Yield to maturity .41% (purchased at premium) |
| Port of Moses Lake 2% Due 12/01/14 | Matured 12/01/14 | \$ 110,000.00 | Yield to maturity 1.05% (purchased at premium) |
| Port of Vancouver .481% Due 12/01/14 | Matured 12/01/14 | \$ 365,000.00 | Yield to maturity .481% (purchased at par) |
| Net Investment | | \$ 1,100,000.00 | |

Of the \$1.1 million that was redeemed during 4th quarter, \$455,000 has been reinvested in City of Port Angeles Electric revenue bonds (settled February 5), A1 rating, yield between .6% maturing 09/01/16 to 1.18% maturing 09/01/18.

There is \$6.5 million in callable bonds, of which \$1 to \$2 million may be called in the next 6 to 12 months as the securities move closer to maturity and ride down the yield curve to compete with new issues of similar maturities.

BACKGROUND & INVESTMENT REQUIREMENTS

Resolution No. 10-987 Investment Policy was approved in December 2010 and authorizes the investment of Port District funds which are not required for immediate expenditures and specifies the permitted types of investments, subject to statutory constraints (RCW 39.59 Public Funds – Authorized Investments).

The investment policy sets forth the following reporting requirements:

| Requirement | Comments |
|---|--|
| Quarterly investment reports, including a management summary that provides an analysis of the status of the current investment portfolio. | See Management Summary above and reports. |
| Listing of individual securities held at the end of the reporting period. | See List of Securities by Maturity Date. |
| Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements). | Not applicable. Current investments are intended to be held until maturity. |
| Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks. | See last page of List of Securities by Maturity Date. Benchmark rates are Treasury securities from the 90-day T-bill to the 5 year note. |
| Listing of investment by maturity date. | See List of Securities by Maturity Date. |
| Percentage of the total portfolio, which each type of investment represents. | See Diversification by Issuer and Diversification by Type of Investment. |

In addition to the reporting requirements there are other key requirements provided in the investment policy such as maintaining one year operating reserves, defining investment grade securities as one of the two highest ratings (the commissioners provided guidance on November 13, 2012 to follow RCW 39.59 which allows investments in one of the three highest credit ratings), and limiting the concentration of investments in specific securities and issuers.

**Port of Port Angeles Investment Report
List of Securities by Maturity Date**

| Qtr | Invest ID | Invest No | Security | Type | Cost Basis | Face Value (Par Value) | Premium (Discount) | Market Value | Unrealized Gain (Loss) | Coupon int% | Annual Interest | Est Yield Int/Cost | Weighted Est Yield | Maturity | Years to Maturity | Weighted Maturity | % of Portfolio Cost Basis | Callable | Rating | Acquisition Date |
|-----|-----------|-----------------------|----------|----------|--------------|------------------------|--------------------|--------------|------------------------|-------------|-----------------|--------------------|--------------------|------------|-------------------|-------------------|---------------------------|----------|-----------|------------------|
| | | | B of A | Bank | \$ 3,856,912 | | | \$ 3,856,912 | | | | 0.196% | 0.038% | Current | 0.08 | 0.02 | 20% | No | Not Rated | |
| | | | Umpqua | Bank | \$ 619,467 | | | \$ 619,467 | | | | 0.150% | 0.005% | Current | 0.08 | 0.00 | 3% | No | Not Rated | |
| | | | LGIP | LGIP | \$ 2,736,260 | | | \$ 2,736,260 | | | | 0.100% | 0.014% | Current | 0.08 | 0.01 | 14% | No | Not Rated | |
| | 000006 | PTP .87% 08/01/15 | PTP | MUNI | 100,000.00 | 100,000.00 | - | 100,324.00 | 324.00 | 0.0087 | 870.00 | 0.870% | 0.004% | 8/1/2015 | 0.58 | 0.00 | 1% | CALL-NO | A | 11/7/2012 |
| | 000032 | FHLMC .50% 09/25/15 | FHLMC | USAGENCY | 999,500.00 | 1,000,000.00 | (500.00) | 1,001,870.00 | 2,034.14 | 0.0050 | 5,000.00 | 0.520% | 0.026% | 9/25/2015 | 0.73 | 0.04 | 5% | CALL-ONE | AAA | 6/28/2013 |
| 3 | 000041 | PTP 2% 12/01/15 | PTP | MUNI | 122,145.60 | 120,000.00 | 2,145.60 | 121,608.00 | 131.50 | 0.0200 | 2,400.00 | 0.651% | 0.004% | 12/1/2015 | 0.92 | 0.01 | 1% | CALL-NO | A- | 7/31/2014 |
| | 000007 | PTB 4.0% 12/01/15 | PTB | MUNI | 50,000.00 | 50,000.00 | - | 50,839.00 | 839.00 | 0.0400 | 2,000.00 | 4.000% | 0.010% | 12/1/2015 | 0.92 | 0.00 | 0% | CALL-NO | A1 | 5/18/2011 |
| | 000008 | PML 2.0% 12/01/15 | PML | MUNI | 56,124.75 | 55,000.00 | 1,124.75 | 55,505.45 | 22.46 | 0.0200 | 1,100.00 | 1.400% | 0.004% | 12/1/2015 | 0.92 | 0.00 | 0% | CALL-NO | A1 | 5/29/2012 |
| | 000009 | PTV .728% 12/01/15 | PTV | MUNI | 365,000.00 | 365,000.00 | - | 366,171.65 | 1,171.65 | 0.0073 | 2,657.20 | 0.728% | 0.013% | 12/1/2015 | 0.92 | 0.02 | 2% | CALL-NO | AA3 | 12/3/2012 |
| | 000010 | WHAUTL 1.3% 12/01/15 | WHAUTL | MUNI | 100,000.00 | 100,000.00 | - | 100,428.00 | 428.00 | 0.0130 | 1,300.00 | 1.300% | 0.007% | 12/1/2015 | 0.92 | 0.00 | 1% | CALL-NO | A1 | 6/5/2012 |
| | 000028 | FNMA .60% 08/15/16 | FNMA | USAGENCY | 1,000,000.00 | 1,000,000.00 | - | 998,100.00 | (1,900.00) | 0.0060 | 6,000.00 | 0.600% | 0.030% | 8/15/2016 | 1.62 | 0.08 | 5% | CALL-QTR | AAA | 2/15/2013 |
| 2 | 000036 | PACUTL 1% 09/01/16 | PACUTL | MUNI | 301,395.00 | 300,000.00 | 1,395.00 | 300,039.00 | (953.16) | 0.0100 | 3,000.00 | 0.800% | 0.012% | 9/1/2016 | 1.67 | 0.03 | 2% | CALL-NO | AA | 4/23/2014 |
| 3 | 000040 | PTP 3% 12/01/2016 | PTP | MUNI | 141,050.70 | 135,000.00 | 6,050.70 | 139,893.75 | (77.75) | 0.0300 | 4,050.00 | 1.050% | 0.008% | 12/1/2016 | 1.92 | 0.01 | 1% | CALL-NO | A- | 7/31/2014 |
| | 000011 | PTB 4.35% 12/01/16 | PTB | MUNI | 70,000.00 | 70,000.00 | - | 72,114.70 | 2,114.70 | 0.0435 | 3,045.00 | 4.350% | 0.015% | 12/1/2016 | 1.92 | 0.01 | 0% | CALL-NO | A1 | 5/18/2011 |
| | 000012 | PML 2.0% 12/01/16 | PML | MUNI | 111,952.50 | 110,000.00 | 1,952.50 | 111,062.60 | (23.26) | 0.0200 | 2,200.00 | 1.590% | 0.009% | 12/1/2016 | 1.92 | 0.01 | 1% | CALL-NO | A1 | 5/29/2012 |
| | 000013 | WHAUTL 1.5% 12/01/16 | WHAUTL | MUNI | 300,000.00 | 300,000.00 | - | 300,960.00 | 960.00 | 0.0150 | 4,500.00 | 1.500% | 0.023% | 12/1/2016 | 1.92 | 0.03 | 2% | CALL-NO | A1 | 6/5/2012 |
| 1 | 000029 | FFCB .780% 02/06/17 | FFCB | USAGENCY | 500,000.00 | 500,000.00 | - | 498,340.00 | (1,660.00) | 0.0078 | 3,900.00 | 0.780% | 0.020% | 2/6/2017 | 2.10 | 0.05 | 3% | CALL-ANY | AAA | 2/6/2013 |
| | 000034 | FHLMC 1.0% 03/27/17 | FHLMC | USAGENCY | 1,000,000.00 | 1,000,000.00 | - | 998,560.00 | (1,440.00) | 0.0100 | 10,000.00 | 1.000% | 0.051% | 3/27/2017 | 2.24 | 0.11 | 5% | CALL-QTR | AAA | 3/27/2014 |
| | 000030 | FNMA .850% 08/07/17 | FNMA | USAGENCY | 999,062.50 | 1,000,000.00 | (937.50) | 992,630.00 | (6,827.73) | 0.0085 | 8,500.00 | 0.870% | 0.044% | 8/7/2017 | 2.60 | 0.13 | 5% | CALL-QTR | AAA | 2/7/2013 |
| | 000014 | PTB 4.75% 12/01/17 | PTB | MUNI | 80,000.00 | 80,000.00 | - | 82,960.80 | 2,960.80 | 0.0475 | 3,800.00 | 4.750% | 0.019% | 12/1/2017 | 2.92 | 0.01 | 0% | CALL-NO | A1 | 5/18/2011 |
| | 000015 | PML 2.0% 12/01/17 | PML | MUNI | 136,408.05 | 135,000.00 | 1,408.05 | 135,004.05 | (892.56) | 0.0200 | 2,700.00 | 1.800% | 0.012% | 12/1/2017 | 2.92 | 0.02 | 1% | CALL-NO | A1 | 5/29/2012 |
| | 000016 | PML 3.0% 12/01/17 | PML | MUNI | 215,246.00 | 200,000.00 | 15,246.00 | 209,178.00 | (529.52) | 0.0300 | 6,000.00 | 1.550% | 0.017% | 12/1/2017 | 2.92 | 0.03 | 1% | CALL-NO | A1 | 5/29/2012 |
| | 000017 | WHAUTL 1.75% 12/01/17 | WHAUTL | MUNI | 405,000.00 | 405,000.00 | - | 403,294.95 | (1,705.05) | 0.0175 | 7,087.50 | 1.750% | 0.036% | 12/1/2017 | 2.92 | 0.06 | 2% | CALL-NO | A1 | 6/5/2012 |
| 2 | 000035 | PACUTL 2% 09/01/18 | PACUTL | MUNI | 400,000.00 | 400,000.00 | - | 398,488.00 | (1,512.00) | 0.0200 | 8,000.00 | 2.000% | 0.041% | 9/1/2018 | 3.67 | 0.07 | 2% | CALL-NO | AA | 4/23/2014 |
| | 000018 | PTB 5.0% 12/01/18 | PTB | MUNI | 75,000.00 | 75,000.00 | - | 78,946.50 | 3,946.50 | 0.0500 | 3,750.00 | 5.000% | 0.019% | 12/1/2018 | 3.92 | 0.01 | 0% | CALL-NO | A1 | 5/18/2011 |
| | 000019 | PML 3.0% 12/01/18 | PML | MUNI | 370,526.55 | 345,000.00 | 25,526.55 | 361,270.20 | (1,408.59) | 0.0300 | 10,350.00 | 1.790% | 0.034% | 12/1/2018 | 3.92 | 0.07 | 2% | CALL-NO | A1 | 5/29/2012 |
| | 000020 | PTB 5.25% 12/01/19 | PTB | MUNI | 70,000.00 | 70,000.00 | - | 73,363.50 | 3,363.50 | 0.0525 | 3,675.00 | 5.250% | 0.019% | 12/1/2019 | 4.92 | 0.02 | 0% | CALL-NO | A1 | 5/18/2011 |
| | 000021 | PML 3.0% 12/01/19 | PML | MUNI | 379,626.35 | 355,000.00 | 24,626.35 | 371,567.85 | (1,496.42) | 0.0300 | 10,650.00 | 2.000% | 0.038% | 12/1/2019 | 4.92 | 0.09 | 2% | CALL-NO | A1 | 5/29/2012 |
| | 000022 | PTB 5.75% 12/01/20 | PTB | MUNI | 115,000.00 | 115,000.00 | - | 121,198.50 | 6,198.50 | 0.0575 | 6,612.50 | 5.750% | 0.033% | 12/1/2020 | 5.92 | 0.03 | 1% | CALL-NO | A1 | 5/18/2011 |
| | 000023 | PML 3.0% 12/01/20 | PML | MUNI | 63,370.20 | 60,000.00 | 3,370.20 | 62,362.80 | (214.92) | 0.0300 | 1,800.00 | 2.270% | 0.007% | 12/1/2020 | 5.92 | 0.02 | 0% | CALL-NO | A1 | 5/29/2012 |
| | 000026 | FHLB 3.0% 12/26/25 | FHLB | USAGENCY | 2,003,000.00 | 2,000,000.00 | 3,000.00 | 1,998,340.00 | (4,215.28) | 0.0300 | 60,000.00 | 2.986% | 0.303% | 12/26/2025 | 10.99 | 1.12 | 10% | CALL-QTR | AAA | 6/28/2012 |
| | 000024 | DOUSCD 6.257% 12/01/ | DOUSCD | MUNI | 2,000,000.00 | 2,000,000.00 | - | 2,298,060.00 | 298,060.00 | 0.0626 | 125,140.00 | 6.257% | 0.634% | 12/1/2030 | 15.93 | 1.61 | 10% | CALL-NO | AA1 | 12/23/2010 |

| | | | | | | | |
|--------------|---------------|---------------|-----------|---------------|------------|---------------------------|------------|
| Total | \$ 19,742,047 | \$ 12,445,000 | \$ 84,408 | \$ 20,015,120 | \$ 297,699 | Average Weighted Yield | 1.550% |
| | | | | | | Annual Interest | \$ 310,087 |
| | | | | | | Average Weighted Maturity | 3.75 years |

Above Values as of **12/31/2014**

| Benchmark Rates | 12/28/2012 | 1st Qtr 2013 | 4th Qtr 2013 | Jan - March 2014 | | April - June 2013 | | July - Sept 2014 | | Oct - Dec 2014 | |
|-----------------------------------|------------|--------------|--------------|------------------|----------|-------------------|----------|------------------|----------|----------------|----------|
| | | Min Rate | Max Rate | Min Rate | Max Rate | Min Rate | Max Rate | Min Rate | Max Rate | Min Rate | Max Rate |
| Bank of America | | | 0.200% | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% |
| LGIP (Local Govt Investment Pool) | 0.235% | 0.165% | 0.128% | 0.11% | 0.11% | 0.09% | 0.10% | 0.09% | 0.10% | 0.09% | 0.10% |
| 90 Day T-Bill | 0.010% | 0.060% | 0.140% | 0.02% | 0.08% | 0.01% | 0.04% | 0.01% | 0.04% | 0.01% | 0.05% |
| 1 Year T-Note | 0.150% | 0.130% | 0.160% | 0.10% | 0.15% | 0.09% | 0.13% | 0.09% | 0.13% | 0.09% | 0.28% |
| 2 Year T-Note | 0.270% | 0.230% | 0.420% | 0.30% | 0.47% | 0.35% | 0.51% | 0.42% | 0.59% | 0.34% | 0.73% |
| 3 Year T-Note | 0.360% | 0.360% | 0.810% | 0.64% | 0.93% | 0.76% | 0.99% | 0.86% | 1.10% | 0.73% | 1.19% |
| 5 Year T-Note | 0.720% | 0.750% | 1.750% | 1.44% | 1.77% | 1.50% | 1.80% | 1.55% | 1.85% | 1.37% | 1.76% |

| | Cost Basis | Face Value |
|-----------------------|------------------|------------------|
| CALL-NO | 6,027,846 | 5,945,000 |
| CALL-ONE | 999,500 | 1,000,000 |
| CALL-ANY | 500,000 | 500,000 |
| CALL-QTR | 5,002,063 | 5,000,000 |
| Total Callable | 6,501,563 | 6,500,000 |

| | 4th Qtr 2012 | 2013 Annual Avg | 1st Qtr 2014 | 2nd Qtr 2014 | 3rd Qtr 2014 | 4th Qtr 2014 |
|-------------------------------|--------------|-----------------|--------------|--------------|--------------|--------------|
| Earnings Above LGIP | | | | | | |
| Fund Balance (Market Value) | 16,792,320 | 16,898,421 | 17,048,755 | 18,679,222 | 20,117,283 | 20,015,120 |
| Avg LGIP Rate | 0.235% | 0.140% | 0.109% | 0.094% | 0.097% | 0.098% |
| Earnings if 100% in LGIP | \$ 39,462 | \$ 23,658 | \$ 18,660 | \$ 17,568 | \$ 19,524 | \$ 19,705 |
| Avg Weighted Yield | 1.824% | 1.806% | n/a | 1.649% | 1.550% | 1.550% |
| Earnings from Investments | \$ 306,291 | \$ 305,185 | \$ 308,070 | \$ 311,818 | \$ 311,818 | \$ 310,190 |
| Annual Invest Earnings > LGIP | \$ 266,829 | \$ 281,528 | \$ 290,503 | \$ 292,294 | \$ 292,294 | \$ 290,485 |

**Port of Port Angeles Investment Report
List of Securities by Maturity Date**

| Longer-Term Investments (maturity > 5 yrs, which is January 1, 2020...) | | | | |
|---|---------------------|---------------------|-------------------------------|-----------------|
| | <u>Cost Basis</u> | <u>Market Value</u> | <u>Unrealized Gain (Loss)</u> | <u>Maturity</u> |
| PTB | 115,000 | 121,199 | 6,199 | 12/1/2020 |
| PML | 63,370 | 62,363 | (215) | 12/1/2020 |
| FHLB | 2,003,000 | 1,998,340 | (4,215) | 12/26/2025 |
| DOUSCD | 2,000,000 | 2,298,060 | 298,060 | 12/1/2030 |
| | \$ 4,181,370 | \$ 4,479,961 | \$ 299,828 | |
| Percent of Portfolio | 21% | 22% | 101% | |

Weighted Value

The weighted value is based on % of Portfolio at Cost Basis because the Port's policy is to hold the security until maturity.

| Broker | Cost Basis | Market Value | % of Portfolio Cost | % of Portfolio Market | Policy Limits | Max at Purchase | Per Investment Policy Resolution 10-987 |
|---------------|-----------------------|----------------------|----------------------------|------------------------------|----------------------|------------------------|---|
| LGIP | \$ 2,736,260 | \$ 2,736,260 | 14% | 14% | ok | 50% | Local Government Investment Pool (WA State Treasury Management Services) |
| BofA | \$ 3,856,912 | \$ 3,856,912 | 20% | 19% | ok | 25% | in a single financial institution |
| Umpqua | \$ 619,467 | \$ 619,467 | 3% | 3% | ok | 25% | in a single financial institution |
| - Roth | USAgency \$ 6,501,563 | \$ 6,487,840 | 33% | 32% | ok | 60% | in any one US Government Agency |
| - Piper | Muni \$ 6,027,846 | \$ 6,314,641 | 31% | 32% | ok | 60% | no limit for state & local municipal bonds; assume US Government Agency limit |
| | \$ 19,742,047 | \$ 20,015,120 | 100% | 100% | ok | 80% | US Treasury |

| Qtr | Purchases | Cost Basis | Face Value | Prem (Disc) | Market Value | Comments |
|------------|------------------------|---------------------|---------------------|--------------------|---------------------|--|
| 1 | 1st Qtr Purchases | 1,000,000 | 1,000,000 | - | 998,560 | Primarily reinvestment of \$1.3 million of December maturities and a called bond |
| 2 | 2nd Qtr Purchases | 701,395 | 700,000 | 1,395 | 698,527 | Reinvested net surplus |
| 3 | 3rd Qtr Purchases | 263,196 | 255,000 | 8,196 | 261,502 | |
| 4 | No purchases | - | - | - | - | |
| | Total Purchases | \$ 1,964,591 | \$ 1,955,000 | \$ 9,591 | \$ 1,958,589 | |

| Qtr | Redemptions & Transfers | Cost Basis | Trans Amt | Realized Gain (Loss) |
|------------|------------------------------------|---------------------|------------------|-----------------------------|
| 1 | No redemptions during Qtr1 | - | - | - |
| 2 | No redemptions during Qtr2 | - | - | - |
| 3 | 3rd Qtr redemptions | 346,091 | 330,000 | (16,091) |
| 4 | 4th Qtr redemptions | 1,104,132 | 1,100,000 | (4,132) |
| | Total Redemptions | \$ 1,450,223 | | \$ (20,223) |

Investment Policy Exception Tracking

Meeting 11-13-12: As of 9-30-12 Investments greater than 5 years; Douglass County Schools greater than 10 years; all "A" rated investments

Meeting 11-13-12: Port of Pasco "A" rated bonds. Also revised investment policy to allow purchase of securities carrying one of the three highest credit ratings

Diversification By Maturity Date

12/31/2014

Policy: 12/31/2019 ≤ 5 years at time of purchase
 up to 10 years when matched to expected use of reserve funds
 longer maturities shall be disclosed in writing to the Commissioners

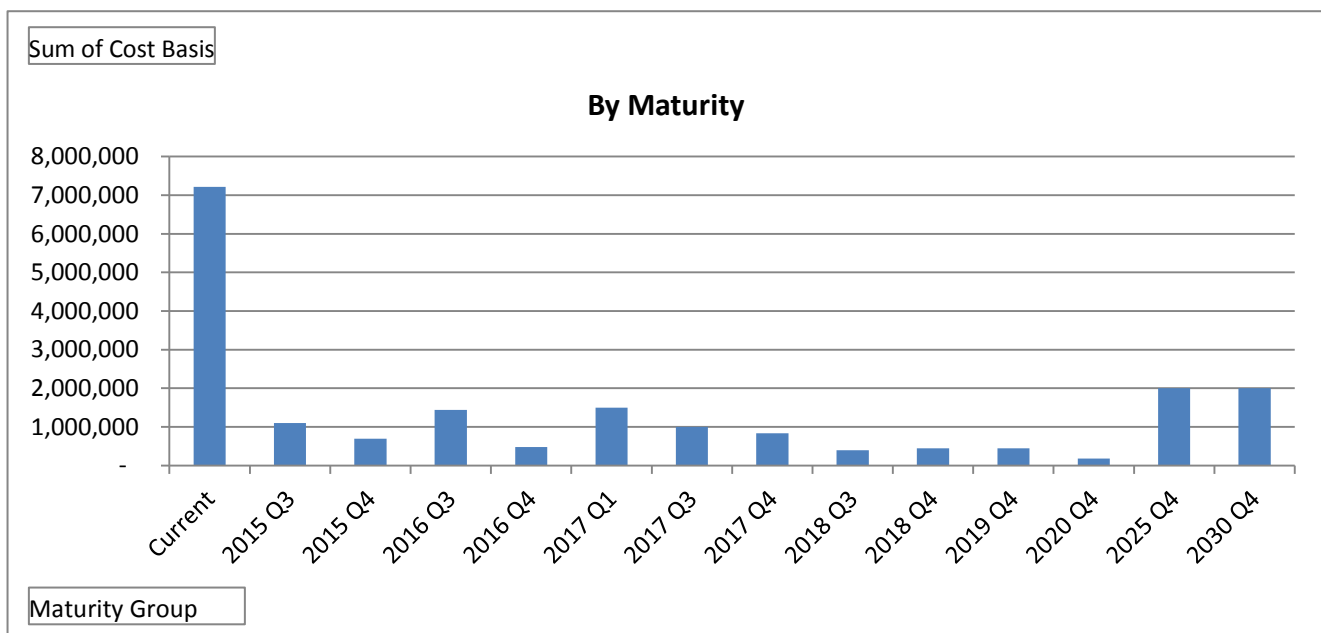
| |
|--------------|
| 2014 Budget |
| \$ 7,341,168 |
| 2,070,828 |
| 7,212,639 |

Minimum cash is 12 months operating expenses based on budget.

Operating Cash accounts

Investments with "Current" maturity (LGIP and B of A accounts)

| Available Cash Equivalents | Excess | Maturity | Average Est Yield | Cost | % of Portfolio Cost Basis | Cost by Year of Maturity |
|----------------------------|-----------|--------------------|-------------------|----------------------|---------------------------|--------------------------|
| 9,283,467 | 1,942,299 | Current | 0.149% | \$ 7,212,639 | 37% | \$ 7,212,639 |
| | | 2015 Q3 | 0.695% | \$ 1,099,500 | 6% | Year 2015 |
| | | 2015 Q4 | 1.616% | \$ 693,270 | 4% | \$ 1,792,770 |
| | | 2016 Q3 | 0.817% | \$ 1,442,446 | 7% | Year 2016 |
| | | 2016 Q4 | 2.480% | \$ 481,953 | 2% | \$ 1,924,398 |
| | | 2017 Q1 | 0.890% | \$ 1,500,000 | 8% | |
| | | 2017 Q3 | 0.870% | \$ 999,063 | 5% | Year 2017 |
| | | 2017 Q4 | 2.463% | \$ 836,654 | 4% | \$ 3,335,717 |
| | | 2018 Q3 | 2.000% | \$ 400,000 | 2% | Year 2018 |
| | | 2018 Q4 | 3.395% | \$ 445,527 | 2% | \$ 845,527 |
| | | 2019 Q4 | 3.625% | \$ 449,626 | 2% | \$ 449,626 |
| | | 2020 Q4 | 4.010% | \$ 178,370 | 1% | \$ 178,370 |
| | | 2025 Q4 | 2.986% | \$ 2,003,000 | 10% | \$ 2,003,000 |
| | | 2030 Q4 | 6.257% | \$ 2,000,000 | 10% | \$ 2,000,000 |
| | | Grand Total | 2.050% | \$ 19,742,047 | 100% | \$ 19,742,047 |

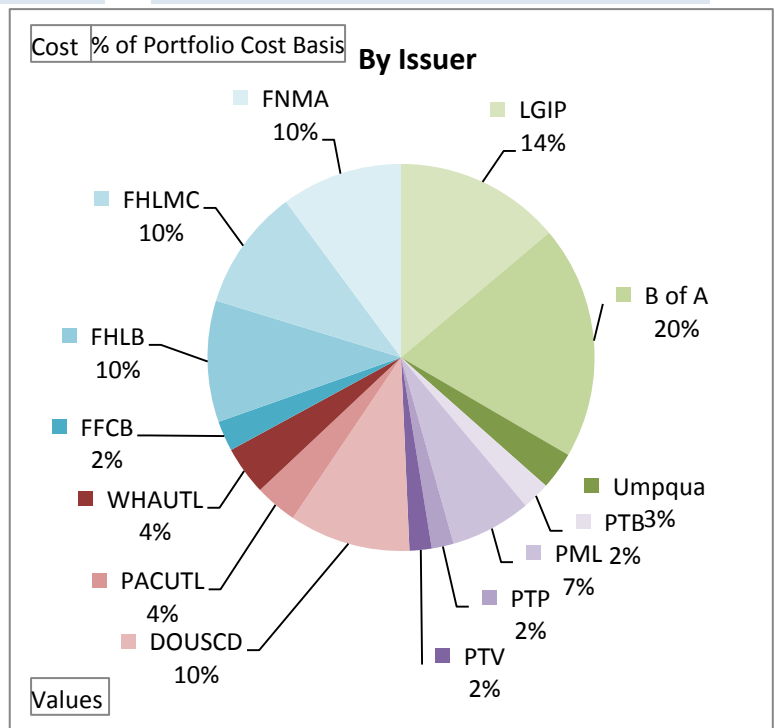


Diversification By Issuer

12/31/2014

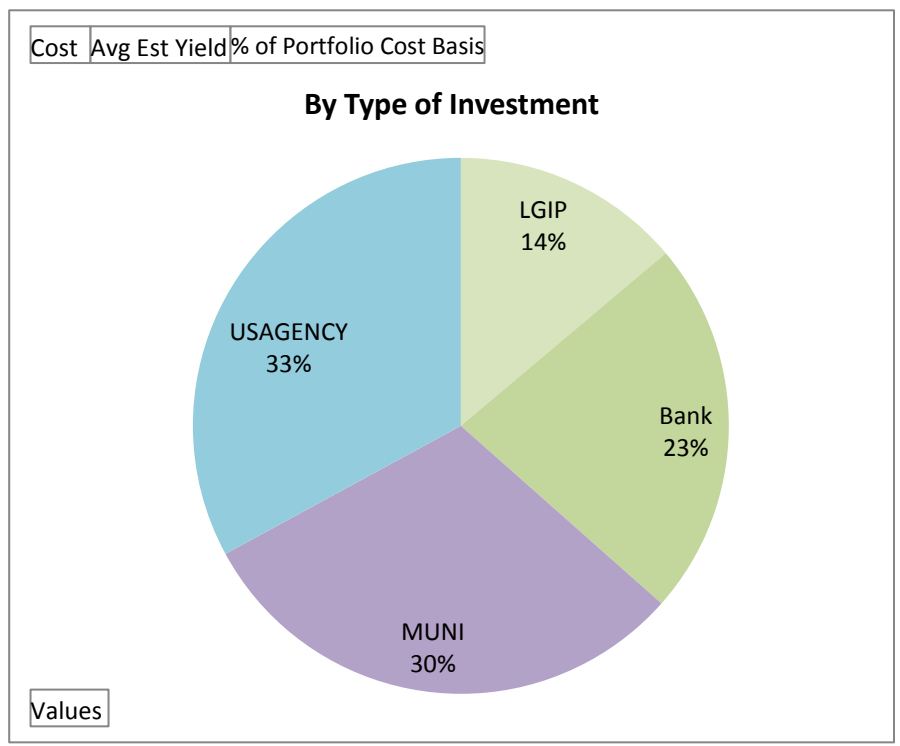
Policy: no more than 25% in single financial institution
 LGIP limited to 50% or less
 US Treasury may compose 80%
 US Govt Agency no more than 60% in one agency

| Rating | Issuer | Cost | % of Portfolio Cost Basis |
|---------|--------------------|----------------------|---------------------------|
| NR | LGIP | \$ 2,736,260 | 14% |
| NR | B of A | \$ 3,856,912 | 20% |
| NR | Umpqua | \$ 619,467 | 3% |
| A | PTB | \$ 460,000 | 2% |
| A | PML | \$ 1,333,254 | 7% |
| A | PTP | \$ 363,196 | 2% |
| AA | PTV | \$ 365,000 | 2% |
| AA | DOUSCD | \$ 2,000,000 | 10% |
| AA | PACUTL | \$ 701,395 | 4% |
| A | WHAUTL | \$ 805,000 | 4% |
| AAA | FFCB | \$ 500,000 | 3% |
| AAA | FHLB | \$ 2,003,000 | 10% |
| AAA | FHLMC | \$ 1,999,500 | 10% |
| AAA | FNMA | \$ 1,999,063 | 10% |
| Entered | Grand Total | \$ 19,742,047 | 100% |



Diversification by Type of Investment
12/31/2014

| Type | Cost | Avg Est Yield | % of Portfolio Cost Basis |
|--------------------|----------------------|---------------|---------------------------|
| LGIP | \$ 2,736,260 | 0.100% | 14% |
| Bank | \$ 4,476,379 | 0.173% | 23% |
| MUNI | \$ 6,027,846 | 2.539% | 31% |
| USAGENCY | \$ 6,501,563 | 1.126% | 33% |
| Grand Total | \$ 19,742,047 | 2.050% | 100% |



Diversification by Rating of Investment

12/31/2014

NR = NonRated, which is a qualified public depository by PDPC
(Public Deposit Protection Commission)

| Rating | Cost | Avg Est Yield | % of Portfolio Cost Basis |
|--------------------|----------------------|---------------|---------------------------|
| NR | \$ 7,212,639 | 0.149% | 37% |
| A | \$ 7,610,754 | 2.243% | 39% |
| AA | \$ 416,051 | 2.055% | 2% |
| AAA | \$ 4,502,603 | 2.388% | 23% |
| Grand Total | \$ 19,742,047 | 2.050% | 100% |

