

City of Texarkana, Texas

QUARTERLY INVESTMENT REPORT

For the Quarter Ended
June 30, 2014

Prepared by

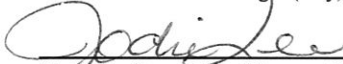
Valley View Consulting, L.L.C.

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

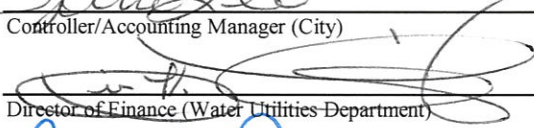


CFO/Finance Director (City)

Financial Services Manager (City)



Controller/Accounting Manager (City)



Director of Finance (Water Utilities Department)



Accounting/Human Resources Manager (Water Utilities Department)

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

Strategy Summary:

The Federal Open Market Committee (FOMC) maintained the Fed Funds target range between 0.00% and 0.25% (actual Fed Funds traded <10 bps). In December, the FOMC began tapering the Quantitative Easing (QE3) program. The monthly purchase amount has been decreased five times (\$10 billion each time) to \$35 billion. A continued, orderly tapering is anticipated as long as economic activity remains moderately positive. First quarter 2014 GDP (originally estimated at -1.0%) was revised to -2.9%. Many full year GDP estimates have since been reduced, including the FOMC's to 2.1-2.3%. Employment data remains positive with new payrolls exceeding 288,000 in June and upward revisions of the previous two months. The US stock markets touched new highs. Financial institution deposit yields generally provide the best interest earnings opportunity, although spreads to security yields have tightened.

City Funds

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>June 30, 2014</u>		<u>March 31, 2014</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
DDA/MMA/Pools	0.28%	\$ 18,361,044	\$ 18,361,044	\$ 19,746,754	\$ 19,746,754
CDs/Securities	0.60%	4,997,227	4,997,227	5,779,580	5,779,580
Totals		\$ 23,358,270	\$ 23,358,270	\$ 25,526,334	\$ 25,526,334
Total Portfolio Average	0.35%				
Fiscal Year-to-Date Average Yield (2)	0.32%				
Quarterly Interest Income	\$ 15,081				
Year-to-date Interest Income	\$ 46,186				

Water Utility

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>June 30, 2014</u>		<u>March 31, 2014</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
DDA/MMA/Pools	0.37%	\$ 12,319,761	\$ 12,319,761	\$ 11,564,024	\$ 11,564,024
CDs/Securities	0.70%	1,500,000	1,500,000	1,500,000	1,500,000
Totals		\$ 13,819,761	\$ 13,819,761	\$ 13,064,024	\$ 13,064,024
Total Portfolio Average	0.40%				
Fiscal Year-to-Date Average Yield (2)	0.41%				
Quarterly Interest Income	\$ 13,570				
Year-to-date Interest Income	\$ 38,077				

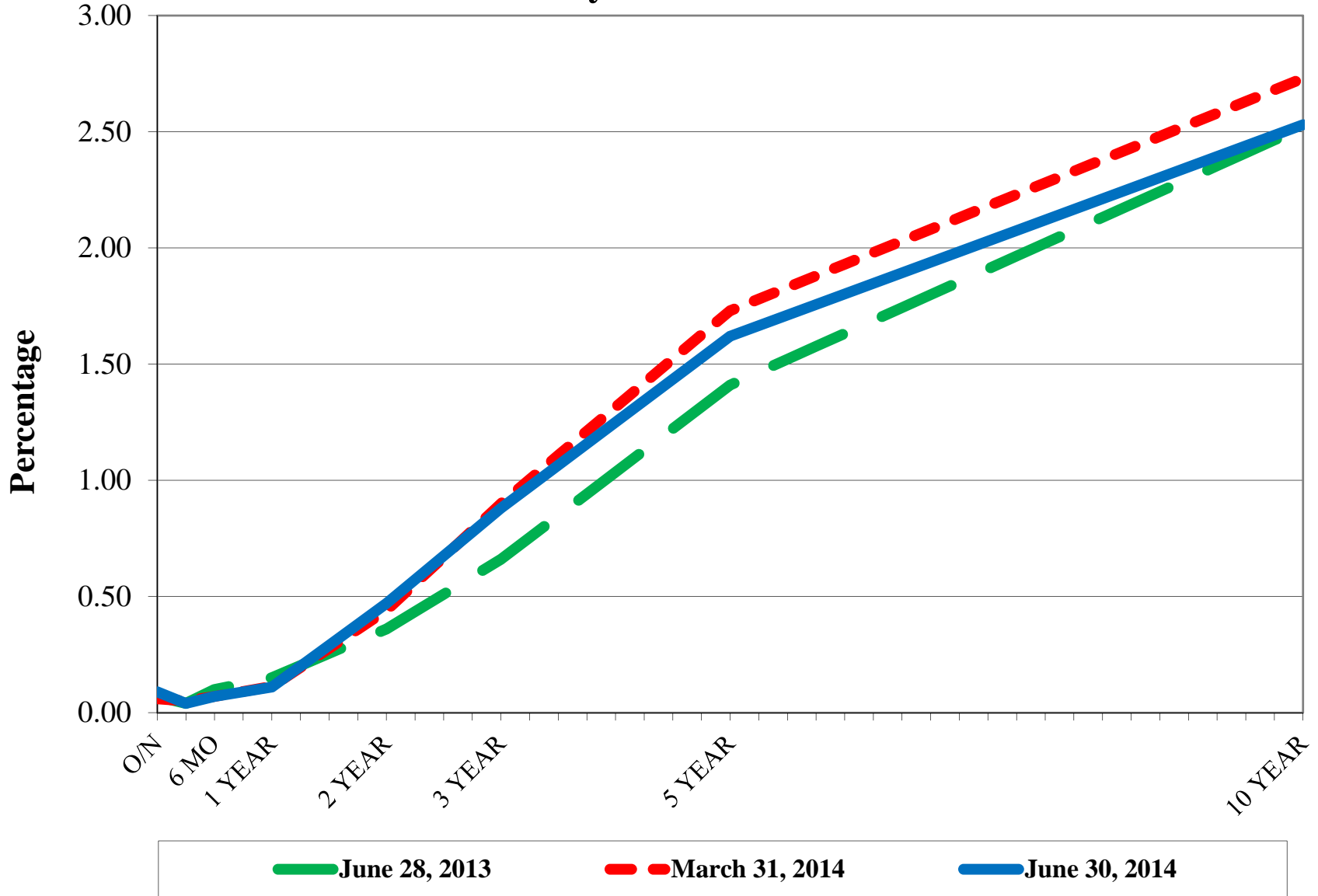
	QTR		YTD
Rolling Three Mo. Treas. Yield	0.03%	Rolling Three Mo. Treas. Yield	0.05%
Rolling Six Mo. Treas. Yield	0.07%	Rolling Six Mo. Treas. Yield	0.07%
		Quarterly TexPool Yield	0.03%

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

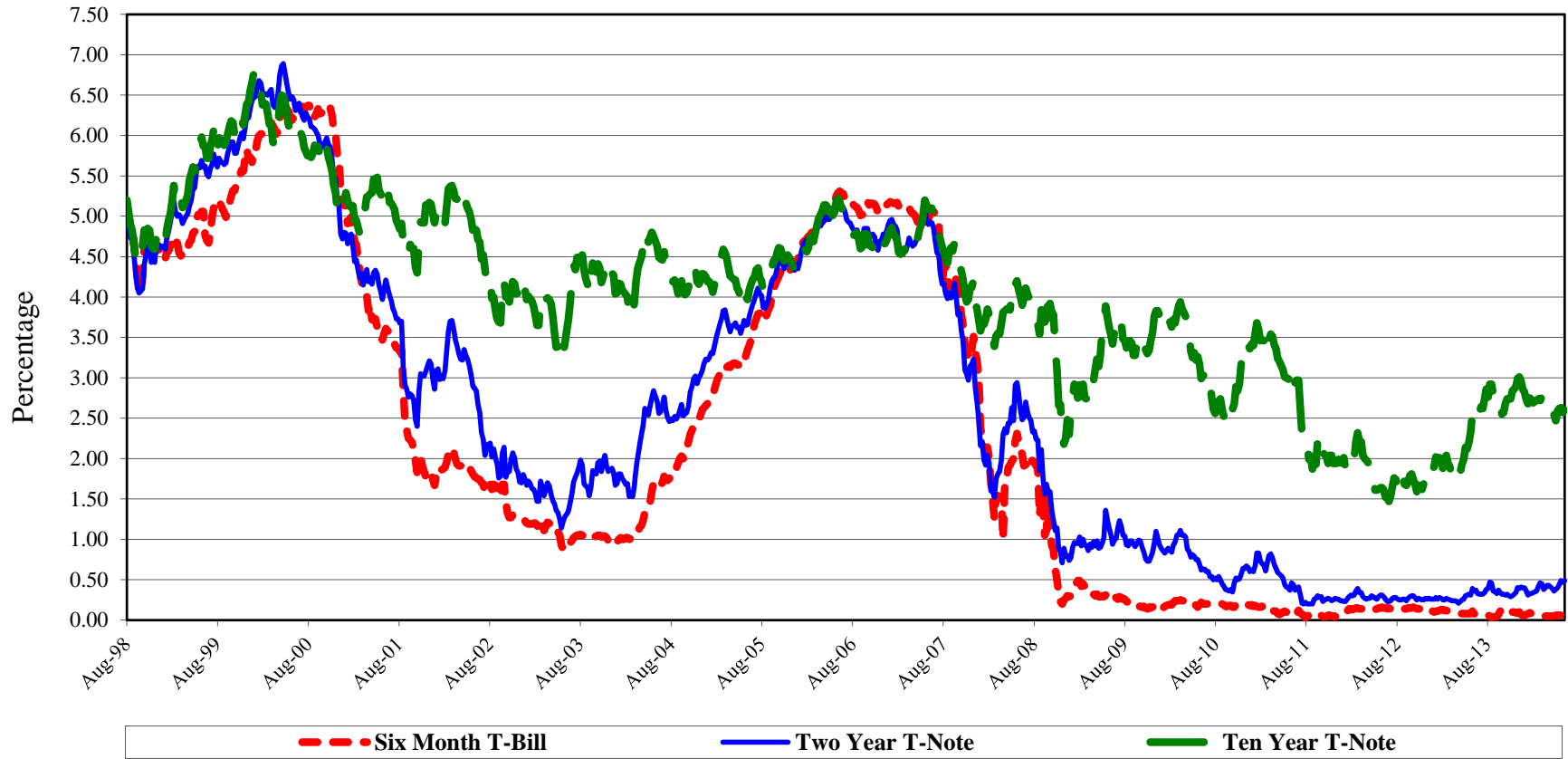
(2) Fiscal Year-to-Date Average Yields calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

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

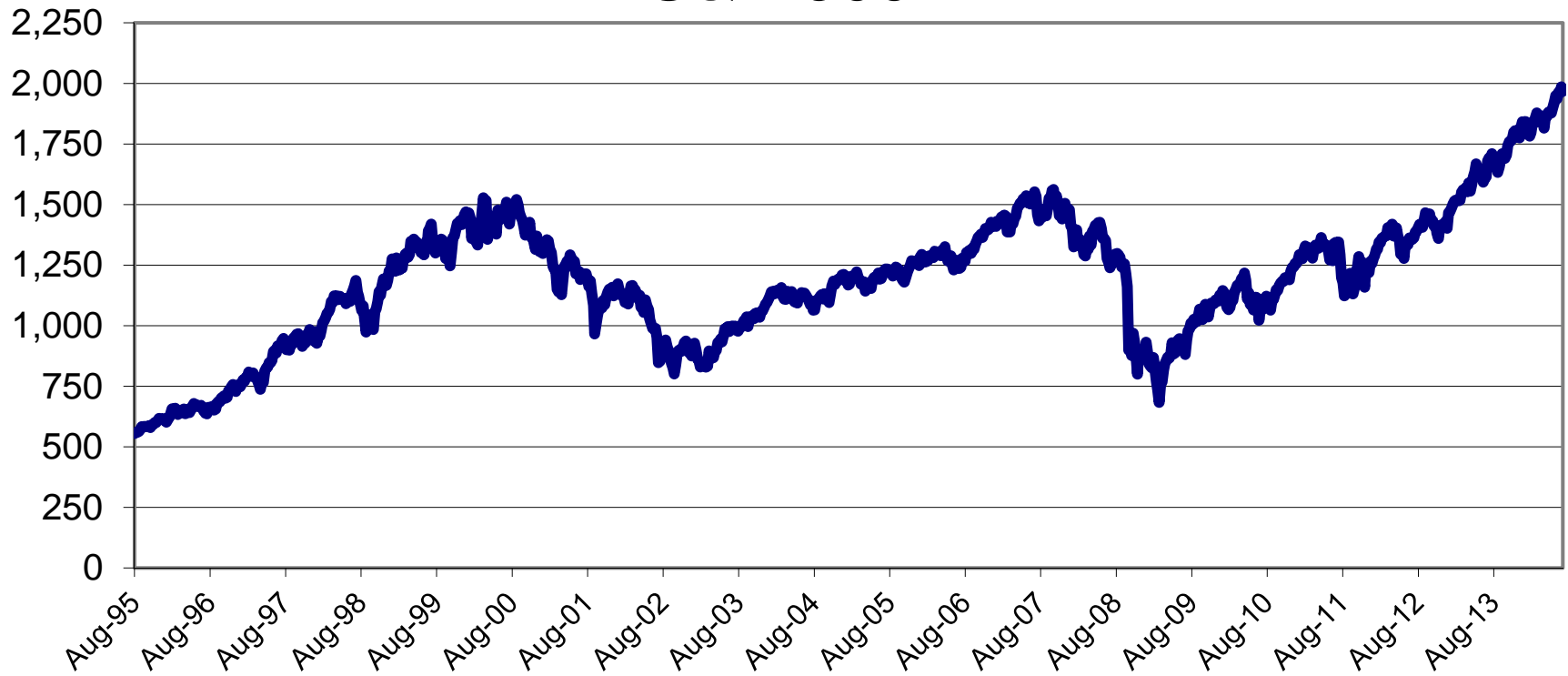
Treasury Yield Curves



US Treasury Historical Yields



S&P 500



Detail of Investment Holdings

June 30, 2014

City Funds

Description	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Guaranty Bond MMA	0.30%	07/01/14	06/30/14	\$ 15,035,744	\$ 15,035,744	1.00	\$ 15,035,744	1	0.30%
Southside Bank MMA	0.18%	07/01/14	06/30/14	3,325,300	3,325,300	1.00	3,325,300	1	0.18%
Commercial National Bank CD	0.40%	09/04/14	09/04/13	501,497	501,497	100.00	501,497	66	0.40%
Farmers Bank & Trust CD	0.60%	02/24/15	02/24/14	2,493,000	2,493,000	100.00	2,493,000	239	0.60%
Commercial National Bank CD	0.55%	03/04/15	09/04/13	1,002,729	1,002,729	100.00	1,002,729	247	0.55%
Farmers Bank & Trust CD	0.60%	05/01/15	05/01/14	500,000	500,000	100.00	500,000	305	0.60%
Farmers Bank & Trust CD	0.90%	02/24/16	02/24/14	500,000	500,000	100.00	500,000	604	0.90%
				\$ 23,358,270	\$ 23,358,270		\$ 23,358,270	58	0.35%

Water Utility

Description	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo MMA	0.43%	07/01/14	06/30/14	\$ 6,503,969	\$ 6,503,969	1.00	\$ 6,503,969	1	0.43%
Guaranty Bond MMA	0.30%	07/01/14	06/30/14	5,815,792	5,815,792	1.00	5,815,792	1	0.30%
Farmers Bank & Trust CD	0.60%	02/24/15	02/24/14	1,000,000	1,000,000	100.00	1,000,000	239	0.60%
Farmers Bank & Trust CD	0.90%	02/24/16	02/24/14	500,000	500,000	100.00	500,000	604	0.90%
				\$ 13,819,761	\$ 13,819,761		\$ 13,819,761	40	0.40%

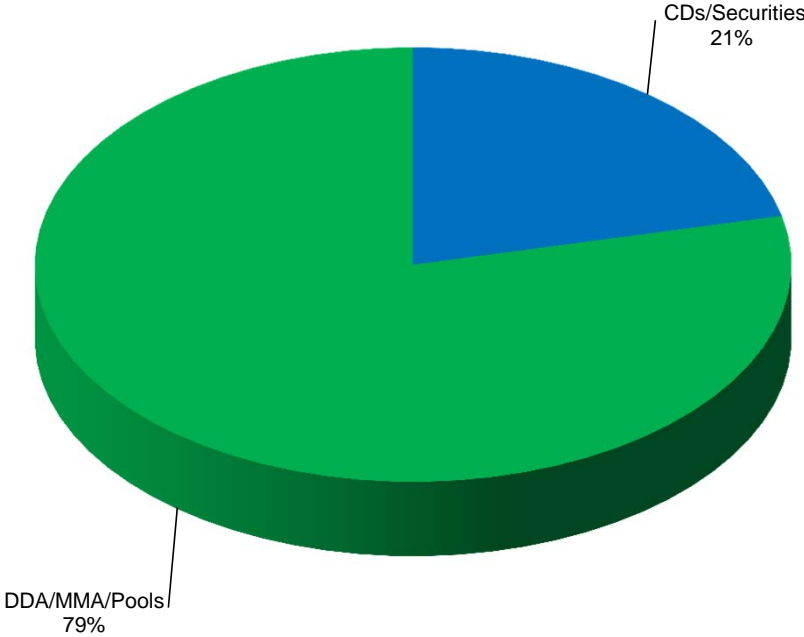
Combined Portfolio

				\$ 37,178,032	\$ 37,178,032		\$ 37,178,032	51	0.37%
								(1)	(2)

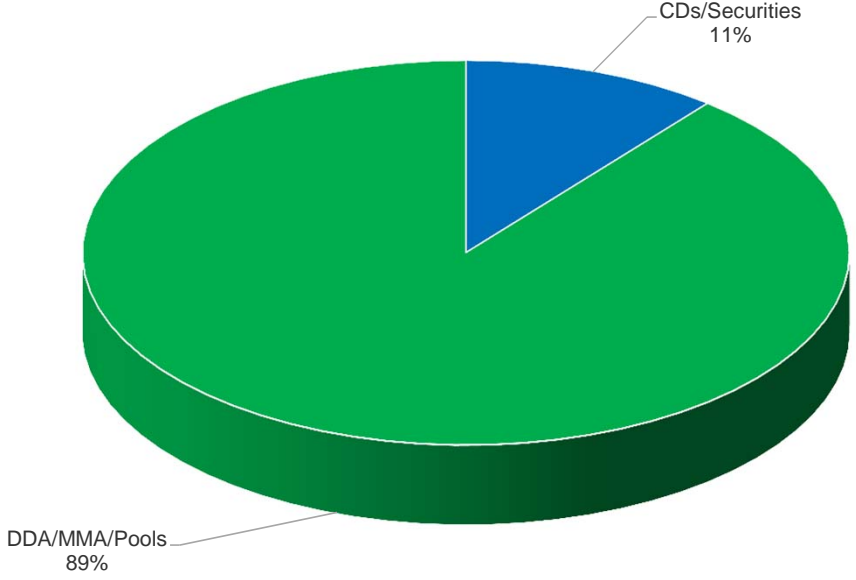
(1) **Weighted average life** - For purposes of calculating weighted average life, cash equivalent investments are assumed to have a one day maturity.

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

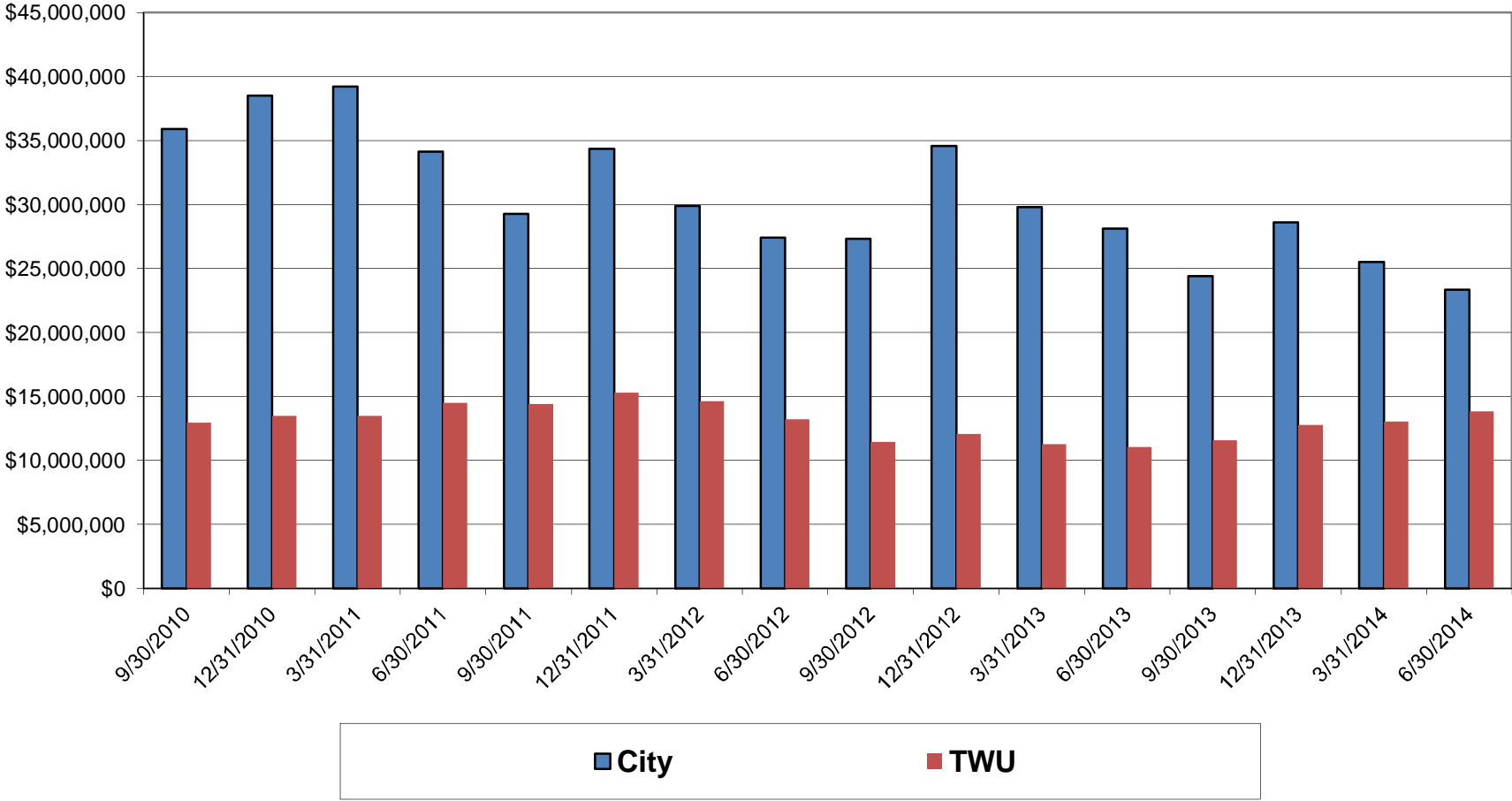
City Portfolio Composition



TWU Portfolio Composition



Quarter End Portfolio



Book Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2014			June 30, 2014		
			Par Value	Book Value	Purchases/ Adjustments	Sales/Adjust/ Maturities	Par Value	Book Value
Wells Fargo MMA	0.45%	07/01/14	\$ 6,497,035	\$ 6,497,035	\$ 6,933	\$ -	\$ 6,503,969	\$ 6,503,969
Guaranty Bond MMA	0.30%	07/01/14	19,490,075	19,490,075	1,361,461		20,851,536	20,851,536
Southside Bank MMA	0.18%	07/01/14	5,323,668	5,323,668		(1,998,368)	3,325,300	3,325,300
Commercial National Bank CD	0.40%	04/26/14	1,282,858	1,282,858		(1,282,858)		
Commercial National Bank CD	0.40%	09/04/14	500,992	500,992	505		501,497	501,497
Farmers Bank & Trust CD	0.60%	02/24/15	2,493,000	2,493,000			2,493,000	2,493,000
Farmers Bank & Trust CD	0.90%	02/24/15	1,000,000	1,000,000			1,000,000	1,000,000
Commercial National Bank CD	0.55%	03/04/15	1,002,729	1,002,729			1,002,729	1,002,729
Farmers Bank & Trust CD	0.60%	05/01/15			500,000		500,000	500,000
Farmers Bank & Trust CD	0.60%	02/24/16	500,000	500,000			500,000	500,000
Farmers Bank & Trust CD	0.60%	02/24/16	500,000	500,000			500,000	500,000
TOTAL			\$ 38,590,359	\$ 38,590,359	\$ 1,868,900	\$ (3,281,227)	\$ 37,178,032	\$ 37,178,032

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	March 31, 2014		Qtr to Qtr Change	June 30, 2014	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo MMA	0.45%	07/01/14	\$ 6,497,035.28	\$ 6,497,035.28	\$ 6,933.49	\$ 6,503,968.77	\$ 6,503,968.77
Guaranty Bond MMA	0.30%	07/01/14	19,490,075	19,490,075	1,361,461	20,851,536	20,851,536
Southside Bank MMA	0.18%	07/01/14	5,323,668	5,323,668	(1,998,368)	3,325,300	3,325,300
Commercial National Bank CD	0.40%	04/26/14	1,282,858	1,282,858	(1,282,858)		
Commercial National Bank CD	0.40%	09/04/14	500,992	500,992	505	501,497	501,497
Farmers Bank & Trust CD	0.60%	02/24/15	2,493,000	2,493,000		2,493,000	2,493,000
Farmers Bank & Trust CD	0.90%	02/24/15	1,000,000	1,000,000		1,000,000	1,000,000
Commercial National Bank CD	0.55%	03/04/15	1,002,729	1,002,729		1,002,729	1,002,729
Farmers Bank & Trust CD	0.60%	05/01/15			500,000	500,000	500,000
Farmers Bank & Trust CD	0.60%	02/24/16	500,000	500,000		500,000	500,000
Farmers Bank & Trust CD	0.60%	02/24/16	500,000	500,000		500,000	500,000
TOTAL			\$ 38,590,359	\$ 38,590,359	\$ (1,412,327)	\$ 37,178,032	\$ 37,178,032

City Fund Allocation
Book & Market Value

June 30, 2014

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

**Water Fund Allocation
June 30, 2014**

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

**Water Fund Allocation
June 30, 2014**

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

City Fund Allocation
Book & Market Value

March 31, 2014

Fund #	Fund Name	Total	0.60 Farmers								
			Guaranty Bond MMA	Southside Bank MMA	0.40 CNB CD 4/26/13 - 4/26/14	0.40 CNB CD 9/4/13 - 9/4/14	B&T CD 2/24/14 - 2/24/15	0.55 CNB CD 9/4/2013 - 3/4/15	0.90 Farmers B&T CD 2/24/14 - 2/24/16		
101	GENERAL FUND - Pooled Cash	8,395,639	\$ 4,890,677	\$ 1,000,724	\$ 501,508	\$ -	\$ 500,000	\$ 1,002,729	\$ 500,000		
101	GENERAL FUND	2,240	2,240								
102	NARCOTICS DIVISION OPERATIONS	177,396	177,396								
103	PERSONNEL POLICY	588,034	588,034								
104	WORKER'S COMP	435,568	435,568								
107	COURT SECURITY FUND	317,824	317,824								
108	TUTD PAYROLL ACCOUNT	559	559								
109	GENERAL PROPERTY & LIAB	101,803	101,803								
111	POLICE EVIDENCE ESCROW FUND	20,912	20,912								
113	ENERGY CONSERVATION REVOLVING LOAN	25,673	25,673								
114	COURT TECHNOLOGY FUND	3,685	3,685								
115	TECHNOLOGY FUND	49,999	49,999								
116	TIRZ #2	500,786	500,786								
203	CDBG REVOLVING LOAN FUND	3,318	3,318								
205	EPA PETROLEUM GRANT	4,712	4,712								
206	EPA JOB TRAINING GRANT	26,824	26,824								
207	EPA REVOLVINGLOAN GRANT	1,318	1,318								
208	EPA MULTI-PURPOSE GRANT	20,999	20,999								
209	HOME PROGRAM	35,903	35,903								
211	THEATRE FUND	87,455	87,455								
212	HOTEL/MOTEL TAX FD	312,252	312,252								
213	PEROT THEATRE BLDG MAINT	699,010	197,501		501,508						
215	HOUSING FUND	255,245	255,245								
217	LAW ENFORCEMENT BLOCK GRANT	1,177	1,177								
219	LAW ENFORCEMENT PROGRAM	16,893	16,893								
220	METRO PLANNING ORG	23,884	23,884								
223	ECONOMIC DEVELOPMENT	1,183,316	682,323			500,992					
225	EPA BROWNFIELD GRANT	1,948	1,948								
230	ROTARY SPLASH PARK FUND	150,889	150,889								
301	INTEREST & SINKING	292,820	292,820								
415	2003 BOND FUND	523,175	523,175								
417	2005 BOND FUND	723,065	693,978			29,087					
420	2009 BOND FUND	4,553,034	385,379	3,916,901	250,754						
422	TIRZ BOND FUND	3,109,347	710,304	406,043			1,993,000				
501	HEALTH FUND	188,348	188,348								
502	PUBLIC LIBRARY	57,087	57,087								
601	DRUG ESCROW	23,650	23,650								
605	FEDERAL ASSET FORFEITURE	79,526	79,526								
701	EMPLOYEE BENEFIT	2,079,485	2,079,485								
702	BENEFIT PAYMENT	54,914	54,914								
703	FLEET SERVICES	94,828	94,828								
704	CAPITAL REPLACEMENT	236,294	236,294								
810	MEMBER CITY WATER REVENUE	65,498	65,498								
TOTAL		\$ 25,526,334	\$ 14,423,086	\$ 5,323,668	\$ 1,282,858	\$ 500,992	\$ 2,493,000	\$ 1,002,729	\$ 500,000		

**Water Fund Allocation
March 31, 2014**

Book & Market Value	Total	Revenue	Customer Loan	Water Plant Construction	Technology	2004 Bond	2004 Construction	2005 Bond	2013 Bond	2013 Construction
Wells Fargo MMA	\$ 6,497,035	\$ 10,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Guaranty Bond MMA	5,066,989	608,437	39,857	45	625,690	72,795	2,903	97,498	54,125	275,251
2/24/2016	1,000,000									
2/24/2016	500,000									
<hr/>										
	\$ 13,064,024	\$ 618,523	\$ 39,857	\$ 45	\$ 625,690	\$ 72,795	\$ 2,903	\$ 97,498	\$ 54,125	\$ 275,251
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**Water Fund Allocation
March 31, 2014**

Book & Market Value	LTWSC Capital Improvement	Capital Improvement	Compost	Customer Deposit	Equipment Acquisition	Infrastructure	Personnel	Reserve	WWTP Depreciation	Waggoner Creek CIP
Wells Fargo MMA	\$ 672,071	\$ 976,631	\$ -	\$ 133,612	\$ 669,534	\$ 1,127,972	\$ -	\$ 677,025	\$ 277,404	\$ 1,952,701
Guaranty Bond MMA	250,276	1,045,095	231,657	58,343	451,300	347,103	137,930	22,136	310,208	436,341
2/24/2016			360,000	100,000		540,000				
2/24/2016				400,000		100,000				
	\$ 922,347	\$ 2,021,726	\$591,657	\$ 691,955	\$ 1,120,833	\$ 2,115,076	\$ 137,930	\$ 699,161	\$ 587,613	\$ 2,389,042

Collateral Position

June 30, 2014

	CITY				WATER UTILITY		
	Guaranty Bond	Southside Bank	Farmers Bank & Trust	Commercial National Bank	Wells Fargo	Farmers Bank & Trust	Guaranty Bond
Collateral Value	\$ 16,149,359	\$ 6,120,573	\$ 3,710,000	\$ 2,129,844	\$ 7,089,342	\$ 1,650,000	\$ 6,219,470
+ FDIC Insurance	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total Enhancement	\$ 16,399,359	\$ 6,370,573	\$ 3,960,000	\$ 2,379,844	\$ 7,339,342	\$ 1,900,000	\$ 6,469,470
Total Deposits	\$ 15,035,744	\$ 3,325,300	\$ 3,493,000	\$ 1,504,227	\$ 6,503,969	\$ 1,500,000	\$ 5,815,792
Excess Coverage	\$ 1,363,615	\$ 3,045,273	\$ 467,000	\$ 875,618	\$ 835,373	\$ 400,000	\$ 653,677
Percentage Coverage	109%	192%	113%	158%	113%	127%	111%
Collateral Type:							
Treasuries							
Agency Bullets							
Agency Callable							
Agency LOC			\$ 3,710,000			\$ 1,650,000	
Munis	\$ 1,751,377	\$ 6,120,573					\$ 467,006
Mortgage Backed Securities	\$ 14,397,982				\$ 7,089,342		\$ 5,752,464
Real Estate Mortgage Investment							
Conduits/ Collateralized Mortgage							
Obligations (1)				\$ 2,129,844			

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