

As the Board Treasurer, one of my primary responsibilities is to monitor the activity in the association's various bank accounts to ensure that our cash and investments are handled appropriately. This includes ensuring compliance with all laws, regulations, and policies; which includes our Investment Policy which was last updated in 2015. (Resolution 2015-05).

Currently, our primary objective is to minimize the risk of principal loss in our accounts. As such the total amount of our investment portfolio as of 2/28/2019 was \$31.7 million. \$21.2 million or 69% of cash and investment funds are currently held in US Treasury obligations, there \$1.6 million or 5% of total funds invested in bank certificates of deposit and there is \$5.9 million or 19% invested in corporate and municipal bonds. There are cash equivalent funds of \$2.2 million or 7%, which is spread across various banks and brokerages and is utilized to meet the cash liquidity needs of paying vendors and personnel.

With recent volatility in the fixed income securities markets, we have generally invested in the less than three-year term instruments, all within the parameters of the 2015 investment policy. We have a moderately diversified portfolio (heavy in US Treasuries), with instruments 'held to maturity' which guards the investment from prior to maturity market interest rate price volatility impacting our returns.

Currently, the investment portfolio is heavily weighted in shorter-term (less than two years) US Treasuries. When I became Treasurer, I noticed that the Finance Committee had not looked at the investment portfolio in a very long time period despite that their charter required it to be reviewed quarterly. I also observed that as Treasurer with a major fiduciary responsibility only a couple of members of the committee had the necessary expertise or qualifications to opine on investment decisions. I therefore recommended to this Board that a more formal investment subcommittee be formed within the Committee and outlined a potential charter. The Finance Committee had a discussion regarding the portfolio at their March 14th monthly meeting and recommends that an informal working subgroup be formed to improve the maturity bands/ranges, with the objectives of improving overall yields and eliminating rates declining risks, while remaining within the investment parameters of the current investment policy. As Treasurer, I strongly recommend a formal Investment Subcommittee be formed with the attached charter and where appropriate that additional expertise within the membership be involved. More specifically over the next 6 months we have about 10 million in investments coming due and important decisions need to be thought through as to duration, type of investments as well as cash flow projections. These are all areas of very high seriousness and importance and not the

work of an informal committee but rather the work of a serious and knowledgeable group of investment professionals that meet regularly within a predefined subcharter.

Outlined below is the current distribution of our investment portfolio.

	<i>current month</i> <u>2/28/2019</u>	<i>last year - audited</i> <u>12/31/2018</u>
Consolidated TDA Total	31,734,854	24,007,033
Cash/Money Market	2,254,081	2,032,633
Certificates of Deposit	1,629,239	2,340,160
US Treasuries/GovOblig	21,892,621	13,681,624
Bonds, Corporate/Municipals	5,877,362	5,871,566
Other/Trusts	81,551	81,051
Operating Fund	9,005,806	5,956,913
Replacement Reserve Fund	14,793,338	11,879,903
Development Fund	7,561,475	5,991,735
New Machinery & Equipment Fund	374,236	178,482

RRF and DVF Combined <u>Investment Description</u>	Yield To	Maturity Values by # of Months from 02/28/2019								TOTAL	
		0	3.1	6.1	12.1	24.1	36.1	48.1	60.1		
	Maturity	3	6	12	24	36	48	60	72	72	
	wgt avgs										
cash and money market funds	0.2%	494,997	-	-	-	-	-	-	-	494,997	2%
US Treasuries	2.2%	2,400,000	9,150,000	2,250,000	800,000	-	-	-	-	14,600,000	65%
Bank Certificates of Deposit, \$250,000 Each, FDIC Insured	2.0%	-	750,000	500,000	250,000	-	-	-	-	1,500,000	7%
Municipal Bonds	2.2%	65,000	-	135,000	415,000	505,000	680,000	530,000	15,000	2,345,000	10%
Corporate Bonds	2.9%	-	-	300,000	1,070,000	502,000	675,000	677,000	305,000	3,529,000	16%
	2.3%	2,959,997	9,900,000	3,185,000	2,535,000	1,007,000	1,355,000	1,207,000	320,000	22,468,997	100%
		13%	44%	14%	11%	4%	6%	5%	1%	100%	

The consolidated cash and investments balance as of 12/31/2018 (audited) was \$24.0 million and the current cash and investments balance as of 2/28/2019 is \$31.7 million.

A basic reconciliation shows the following changes (\$thousands) for the two months ending YTD 2/28/2019:

7,582	Annual Assessment net cash flow
327	Operating Fund, Net Operating Result Gain (1 st two months positive)
(365)	Capital Funds Expenditures
150	Increase in current liabilities
101	Decrease in current assets
(67)	All other cash flow changes
<u>\$7,728</u>	Net Cash/Investments change YTD

The independent audit of our 2018 Financial Statements is being presented and accepted by the Board this month. I am pleased to report there were no audit adjustments or findings by the auditors and congratulate Mike Salmon and his team for doing a fine job. Total assets of \$67.1 million as of December 31, 2018 reflects an increase of \$2.8 million or 4.3% over 2017. This increase reflects the continued effort to improve our capital reserves funding level, as well as, a favorable net operating result to budget of \$651,000 due primarily to a very strong month of December 2018 financial performance. The association is in a solid financial position, **the strongest on record.**

For more information regarding your association's financials, monthly financials, the 2019 budget report, as well as lots of other financial information on your association, are readily accessible on the [tahoedonner.com](http://www.tahoedonner.com) website.

<http://www.tahoedonner.com/member-area/association-management/financials/>

Thank you,

Jeff Connors