

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 5/31/2019 was \$31.5 million. Of this amount \$21.6 million or 69% of cash and investment funds are currently held in US Treasury obligations. There is \$1.6 million or 5% of total funds invested in bank certificates of deposit and there is \$5.8 million or 18% invested in corporate and municipal bonds. There are cash equivalent funds of \$2.1 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. The Board recently authorized an investment working subgroup with the objective to improve our overall strategy of investments. The subgroup 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. The subgroup has met three times and is actively addressing upcoming maturities of \$21 million over the next six months.

Below is the current distribution of our investment portfolio.

	<i>last year end - audited</i>		
	<u>12/31/2018</u>	<u>3/31/2019</u>	<u>5/31/2019</u>
<b>Consolidated TDA Total</b>	<b>24,007,033</b>	<b>32,714,206</b>	<b>31,458,088</b>
Cash/Money Market	1,786,473	2,684,285	2,104,939
Certificates of Deposit	2,340,160	1,629,197	1,629,197
US Treasuries/GovOblig	13,681,624	22,192,602	21,565,795
Bonds, Corporate	3,552,534	3,558,330	3,507,881
Bonds, Municipal	2,308,627	2,311,388	2,311,388
Restricted Other	337,615	338,405	338,889
<b>Operating Fund</b>	<b>5,956,913</b>	<b>9,970,547</b>	<b>8,646,799</b>
<b>Replacement Reserve Fund</b>	<b>11,879,903</b>	<b>14,801,083</b>	<b>14,843,271</b>
<b>Development Fund</b>	<b>5,991,735</b>	<b>7,568,332</b>	<b>7,592,902</b>
<b>New Equipment Fund</b>	<b>178,482</b>	<b>374,244</b>	<b>375,116</b>

Investment Category Investment Description	Yield To Maturity	ALL FUNDS - Maturity Values by # of Months from 05/31/2019											TOTAL	
		0	1.1	2.1	3.1	6.1	12.1	24.1	36.1	48.1	60.1	72		
		1	2	3	6	12	24	36	48	60	72	72	0	
	wgt avgs													
cash/mm cash and money market funds	0.5%	1,244,847	-	-	-	-	-	-	-	-	-	-	1,244,847	4%
UST US Treasuries	2.2%	4,900,000	4,550,000	7,850,000	2,200,000	1,300,000	1,000,000	-	-	-	-	-	21,800,000	72%
CD Bank Certificates of Deposit	2.0%	-	750,000	250,000	250,000	133,166	250,000	-	-	-	-	-	1,633,166	5%
Bonds-M Municipal Bonds	2.4%	-	-	-	-	-	390,000	530,000	845,000	365,000	15,000	-	2,145,000	7%
Bonds-C Corporate Bonds	2.8%	-	-	-	300,000	250,000	925,000	551,000	693,000	703,000	134,000	134,000	3,556,000	12%
	2.2%	6,144,847	5,300,000	8,100,000	2,750,000	1,683,166	2,565,000	1,081,000	1,538,000	1,068,000	149,000	149,000	30,379,013	100%
10.8 WghtAvg Maturity in Months		20%	17%	27%	9%	6%	8%	4%	5%	4%	0%	0%	100%	
Wght Avg Yield by Maturity Range	2.2%	1.9%	2.2%	2.2%	2.3%	2.4%	2.1%	2.5%	2.7%	3.0%	3.3%			

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 5/31/2019 is \$31.5 million.

A basic reconciliation shows the following changes (\$thousands) for the five months ending YTD 5/31/2019:

8,955	Annual Assessment net cash flow
(1,282)	Operating Fund, Net Operating Result Loss (favorable \$529k to Budget)
(1,224)	Capital Funds Expenditures
619	Increase in current liabilities
262	Decrease in current assets
121	All other cash flow changes
<u>\$7,451</u>	<u>Net Cash/Investments change YTD</u>

The association is in a solid financial position, the strongest on record. The comprehensive 2018 Annual Report was distributed to all members in the May issue of TD News magazine and is also available on our website.

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 website.

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

Thank you, Jeff