



City of DeSoto

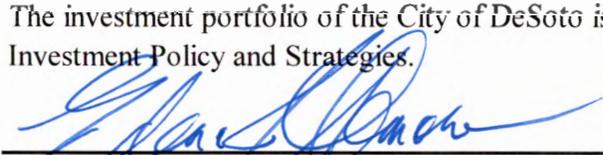
QUARTERLY INVESTMENT REPORT

For the Quarter Ended

December 31, 2014

**Prepared by
Valley View Consulting, L.L.C.**

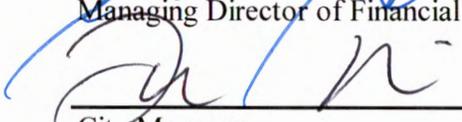
The investment portfolio of the City of DeSoto is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.



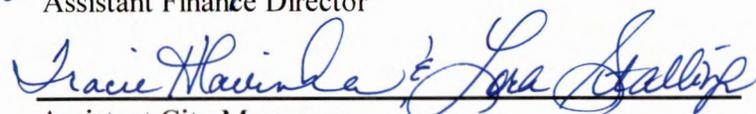
Managing Director of Financial Services



Assistant Finance Director



City Manager



Assistant City Managers

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). The FOMC ended Quantitative Easing (QE3) in October. Third quarter 2014 GDP was a very strong 5.0. New payroll and unemployment data also very positive. The FOMC remains concerned by lack of wage growth and overall participation. The US stock markets again touched new highs, but have recently retrenched. Shorter interest rates are rising, while International economical and political struggles weigh on longer term US interest rates. Financial institution deposit yields generally provide the best interest earnings opportunity, although spreads to security yields have tightened.

Quarter End Results by Investment Category:

<u>Asset Type</u>	<u>Ave. Yield</u>	<u>December 31, 2014</u>		<u>September 30, 2014</u>	
		<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
DDA	0.00%	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
MMA/NOW	0.21%	23,260,811	23,260,811	14,549,502	14,549,502
Pools	0.10%	6,285,401	6,285,401	9,648,555	9,648,555
CDs/Securities	0.67%	21,540,918	21,532,121	19,518,024	19,514,240
Totals		\$ 51,587,130	\$ 51,578,333	\$ 44,216,082	\$ 44,212,297

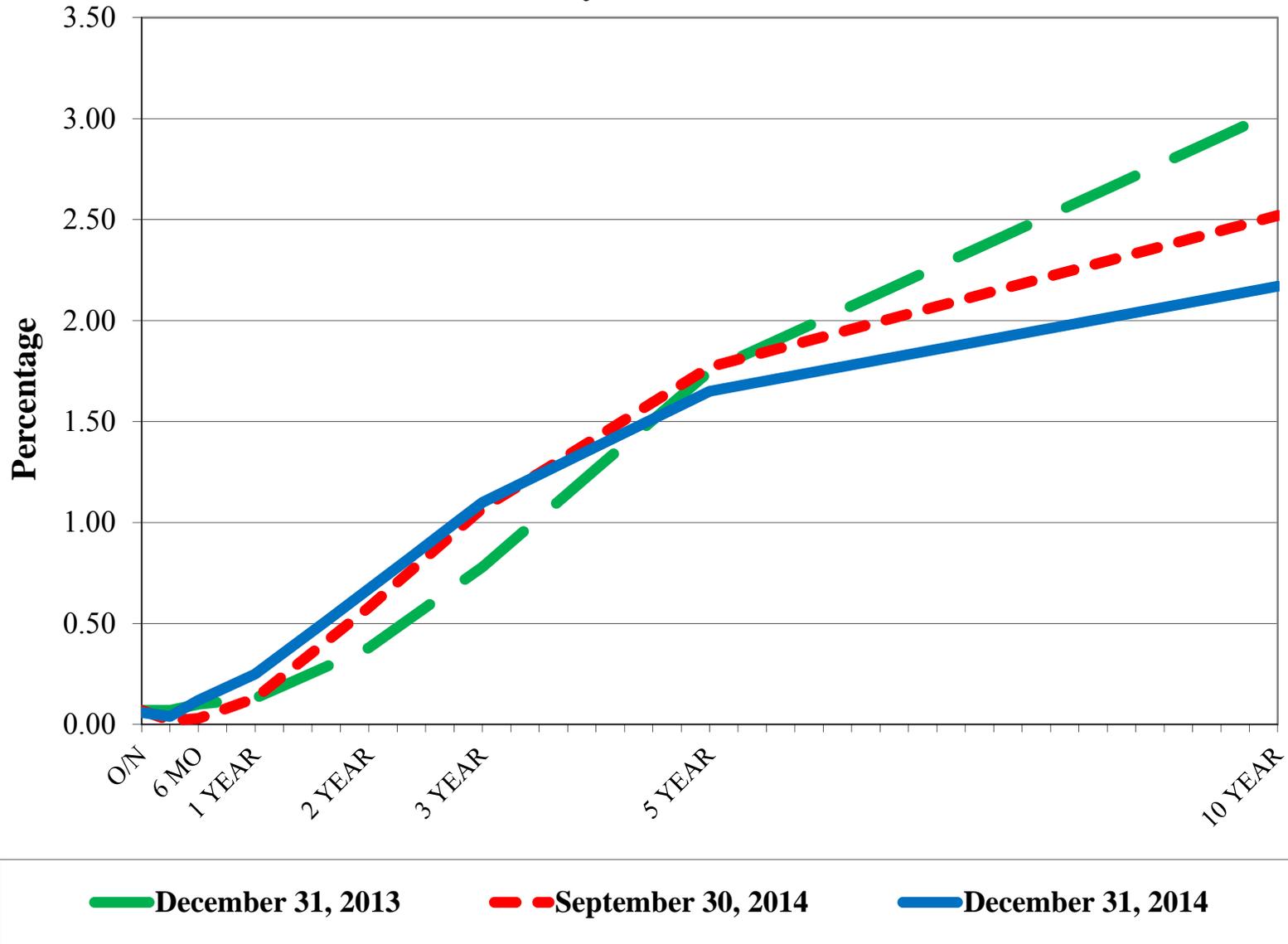
Average Yield (1)		Fiscal Year-to-Date Average Yield (2)	
Total Portfolio	0.39%	Total Portfolio	0.39%
Rolling Three Mo. Treas. Yield	0.02%	Rolling Three Mo. Treas. Yield	0.02%
Rolling Six Mo. Treas. Yield	0.07%	Rolling Six Mo. Treas. Yield	0.07%
		Quarterly TexPool Yield	0.04%

Quarterly Interest Income \$ 43,148 Approximate
 Year-to-date Interest Income \$ 43,148 Approximate

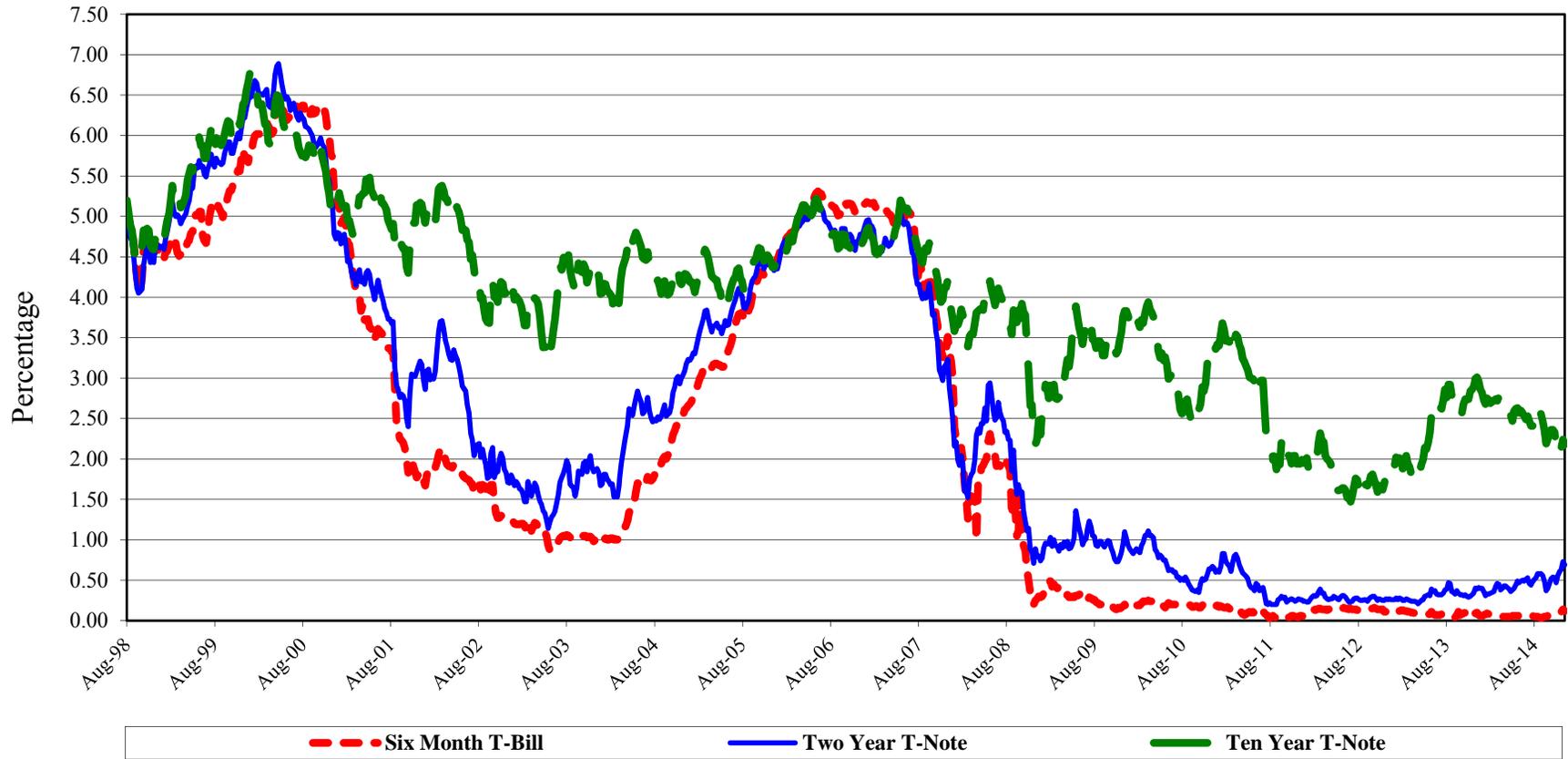
(1) Average Yield calculated using quarter end report yields and adjusted book values and does not reflect a total return analysis or account for advisory fees.

(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.

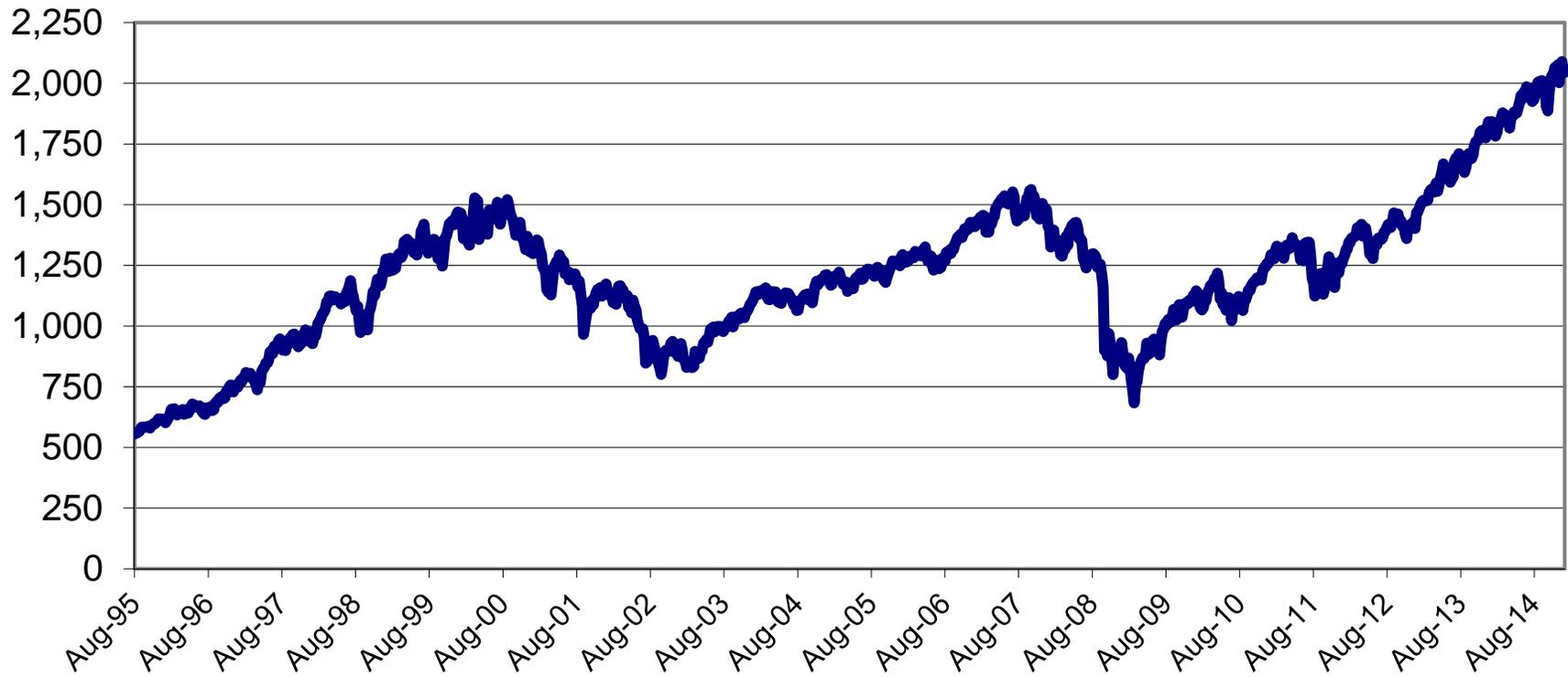
Treasury Yield Curves



US Treasury Historical Yields



S&P 500



Detail of Investment Holdings

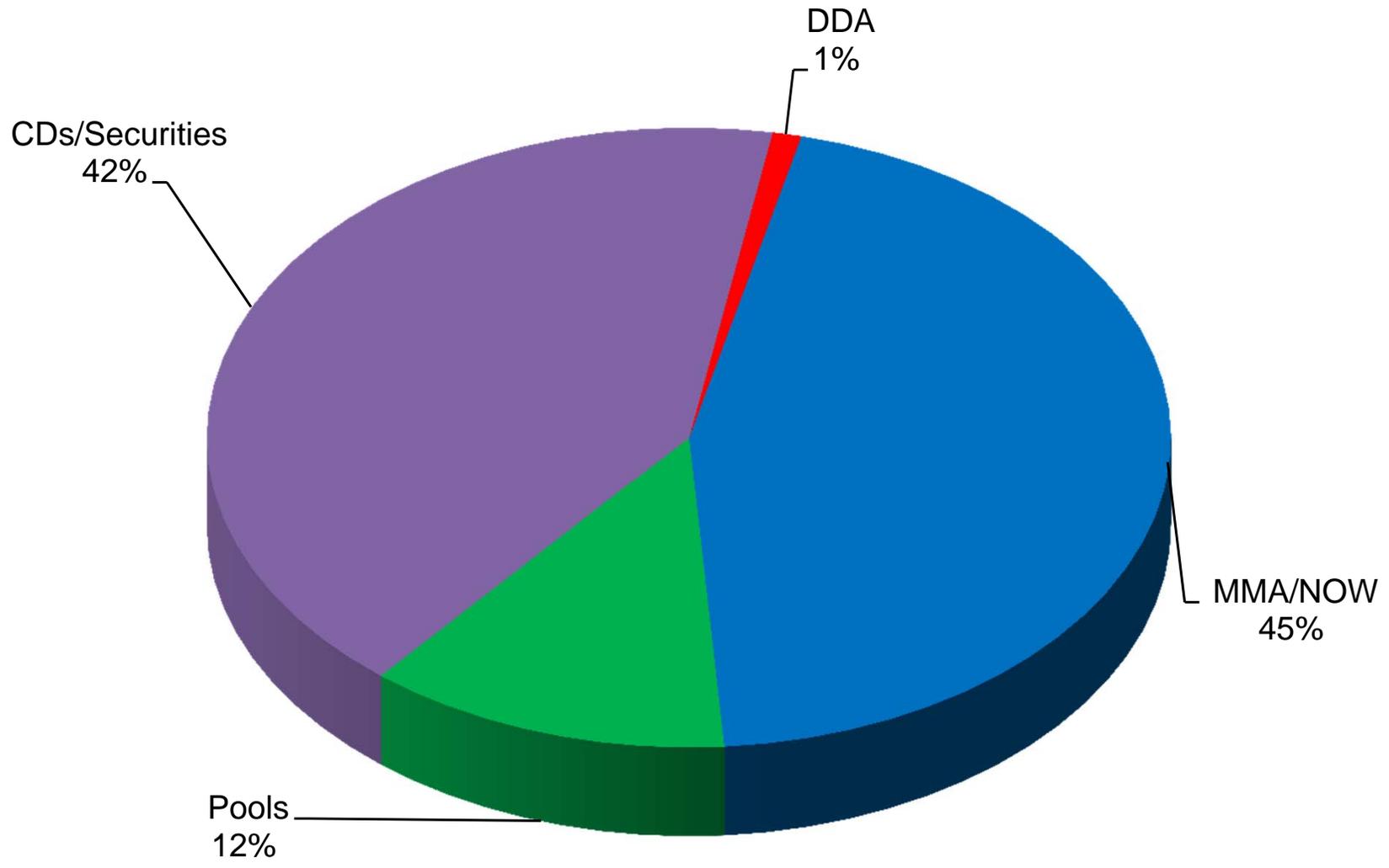
December 31, 2014

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Par Value	Book Value	Market Price	Market Value	Life (days)	Yield
Wells Fargo DDA		0.00%	01/01/15	12/31/14	\$ 500,000	\$ 500,000	1	\$ 500,000	1	0.00%
Wells Fargo MMA		0.20%	01/01/15	12/31/14	19,437,338	19,437,338	1	19,437,338	1	0.20%
Bank Texas MMA		0.36%	01/01/15	12/31/14	245,079	245,079	1	245,079	1	0.36%
Bank Texas ICS		0.36%	01/01/15	12/31/14	1,255,515	1,255,515	1	1,255,515	1	0.36%
Southside Bank MMA		0.19%	01/01/15	12/31/14	2,322,878	2,322,878	1	2,322,878	1	0.19%
Texas Class	AAAm	0.10%	01/01/15	12/31/14	5,813,570	5,813,570	1	5,813,570	1	0.10%
TexPool	AAAm	0.04%	01/01/15	12/31/14	471,831	471,831	1	471,831	1	0.04%
Comerica CD		0.43%	03/16/15	06/14/13	3,019,427	3,019,427	100	3,019,427	75	0.43%
Texas Security Bank CD		0.55%	06/21/15	06/21/13	1,008,286	1,008,286	100	1,008,286	172	0.55%
Comerica CD		0.29%	08/06/15	10/22/13	1,002,410	1,002,410	100	1,002,410	218	0.29%
Comerica CD		0.29%	08/06/15	02/06/14	2,706,507	2,706,507	100	2,706,507	218	0.29%
Comerica CD		0.55%	10/22/15	10/22/13	2,012,877	2,012,877	100	2,012,877	295	0.55%
Comerica CD		0.56%	02/08/16	02/06/14	1,707,919	1,707,919	100	1,707,919	404	0.56%
Inter National Bank CD		0.63%	05/08/16	05/08/14	501,835	501,835	100	501,835	494	0.63%
Bank Texas CD		0.70%	05/20/16	11/20/14	1,000,786	1,000,786	100	1,000,786	506	0.70%
Inter National Bank CD		0.90%	08/08/16	05/08/14	1,005,259	1,005,259	100	1,005,259	586	0.90%
Bank Texas CD		0.75%	08/20/16	11/20/14	1,000,842	1,000,842	100	1,000,842	598	0.75%
Inter National Bank CD		0.95%	11/08/16	05/08/14	1,508,375	1,508,375	100	1,508,375	678	0.95%
Bank Texas CD		0.85%	11/20/16	11/20/14	1,000,955	1,000,955	100	1,000,955	690	0.85%
Dallas Co Schools - Muni	Aa3	1.50%	12/01/16	05/22/14	1,035,000	1,045,153	100	1,036,356	701	0.98%
Inter National Bank CD		1.05%	02/08/17	05/08/14	2,012,345	2,012,345	100	2,012,345	770	1.05%
Inter National Bank CD		1.35%	05/08/17	05/08/14	1,007,942	1,007,942	100	1,007,942	859	1.35%
					\$ 51,576,977	\$ 51,587,130		\$ 51,578,333	181	0.39%
									(1)	(2)

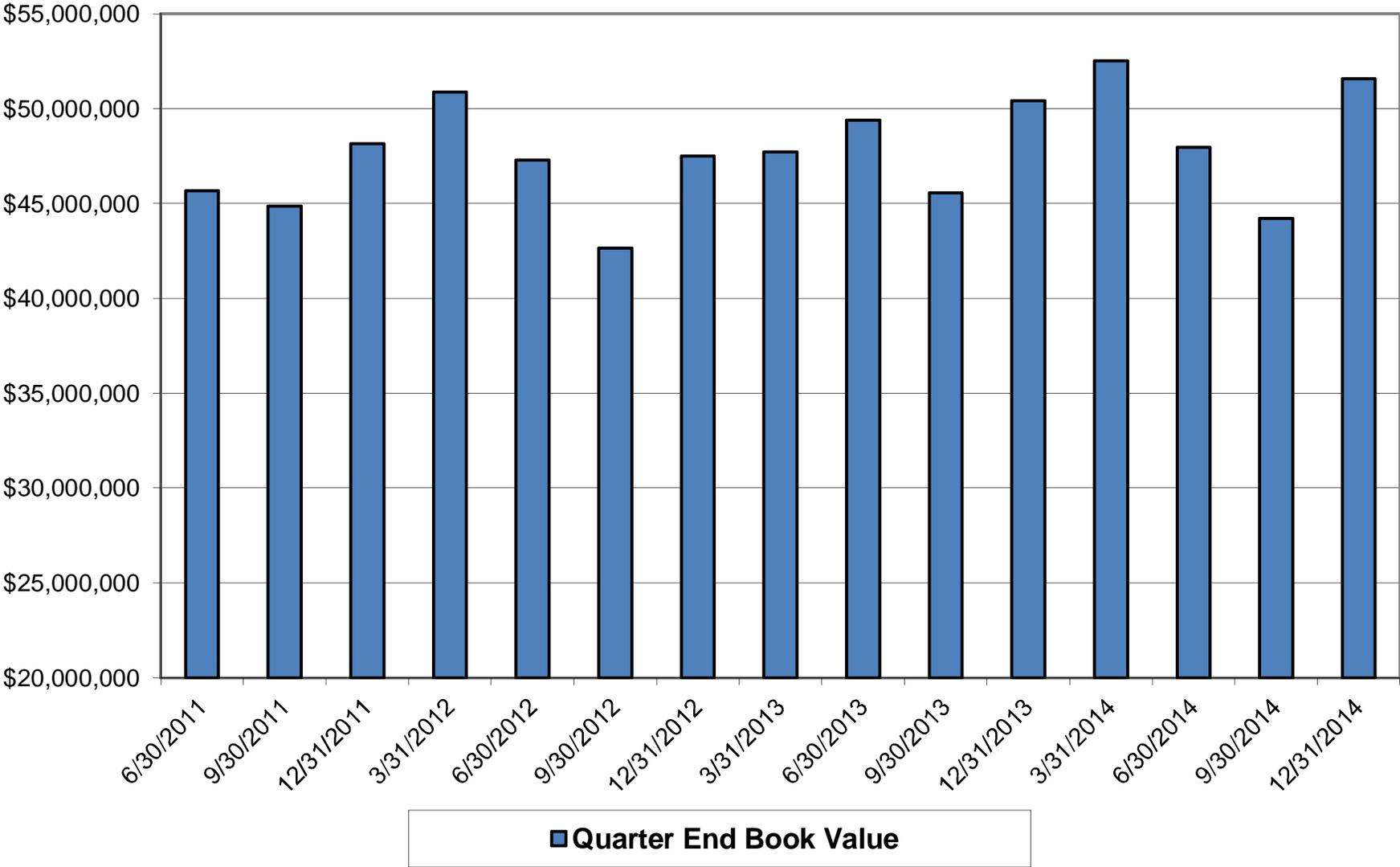
(1) **Weighted average life** - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

(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 considered. The yield for the reporting month is used for bank accounts, pools and money market funds.

Portfolio Composition



Total Portfolio



Book Value Comparison

Description	Coupon/ Discount	Maturity Date	September 30, 2014		Purchases/ Adjustments	Sales/Adjust/ Call/Maturity	December 31, 2014	
			Par Value	Book Value			Par Value	Book Value
Wells Fargo DDA	0.00%	01/01/15	\$ 500,000	\$ 500,000	\$	\$	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.20%	01/01/15	9,228,410	9,228,410	10,208,929		19,437,338	19,437,338
Bank Texas MMA	0.36%	01/01/15			245,079		245,079	245,079
Bank Texas ICS	0.36%	01/01/15			1,255,515		1,255,515	1,255,515
Southside Bank MMA	0.19%	01/01/15	5,321,092	5,321,092		(2,998,214)	2,322,878	2,322,878
Texas Class	0.10%	01/01/15	7,076,877	7,076,877		(1,263,307)	5,813,570	5,813,570
TexPool	0.04%	01/01/15	2,571,679	2,571,679		(2,099,848)	471,831	471,831
Texas Security Bank CD	0.48%	12/21/14	1,006,024	1,006,024		(1,006,024)		
Comerica CD	0.43%	03/16/15	3,016,192	3,016,192	3,235		3,019,427	3,019,427
Texas Security Bank CD	0.55%	06/21/15	1,006,905	1,006,905	1,381		1,008,286	1,008,286
Comerica CD	0.29%	08/06/15	1,001,686	1,001,686	724		1,002,410	1,002,410
Comerica CD	0.29%	08/06/15	2,704,551	2,704,551	1,956		2,706,507	2,706,507
Comerica CD	0.55%	10/22/15	2,010,119	2,010,119	2,758		2,012,877	2,012,877
Comerica CD	0.56%	02/08/16	1,705,537	1,705,537	2,382		1,707,919	1,707,919
Inter National Bank CD	0.63%	05/08/16	501,054	501,054	781		501,835	501,835
Bank Texas CD	0.70%	05/20/16			1,000,786		1,000,786	1,000,786
Inter National Bank CD	0.90%	08/08/16	1,003,019	1,003,019	2,240		1,005,259	1,005,259
Bank Texas CD	0.75%	08/20/16			1,000,842		1,000,842	1,000,842
Inter National Bank CD	0.95%	11/08/16	1,504,808	1,504,808	3,567		1,508,375	1,508,375
Bank Texas CD	0.85%	11/20/16			1,000,955		1,000,955	1,000,955
Dallas Co Schools - Muni	1.50%	12/01/16	1,035,000	1,046,485		(1,332)	1,035,000	1,045,153
Inter National Bank CD	1.05%	02/08/17	2,007,086	2,007,086	5,259		2,012,345	2,012,345
Inter National Bank CD	1.35%	05/08/17	1,004,557	1,004,557	3,385		1,007,942	1,007,942
TOTAL			\$ 44,204,596	\$ 44,216,082	\$ 14,739,773	\$ (7,368,725)	\$ 51,576,977	\$ 51,587,130

Market Value Comparison

Description	Coupon/ Discount	Maturity Date	September 30, 2014		Qtr to Qtr Change	December 31, 2014	
			Par Value	Market Value		Par Value	Market Value
Wells Fargo DDA	0.00%	01/01/15	\$ 500,000	\$ 500,000	\$	\$ 500,000	\$ 500,000
Wells Fargo MMA	0.20%	01/01/15	9,228,410	9,228,410	10,208,929	19,437,338	19,437,338
Bank Texas MMA	0.36%	01/01/15			245,079	245,079	245,079
Bank Texas ICS	0.36%	01/01/15			1,255,515	1,255,515	1,255,515
Southside Bank MMA	0.19%	01/01/15	5,321,092	5,321,092	(2,998,214)	2,322,878	2,322,878
Texas Class	0.10%	01/01/15	7,076,877	7,076,877	(1,263,307)	5,813,570	5,813,570
TexPool	0.04%	01/01/15	2,571,679	2,571,679	(2,099,848)	471,831	471,831
Texas Security Bank CD	0.48%	12/21/14	1,006,024	1,006,024	(1,006,024)		
Comerica CD	0.43%	03/16/15	3,016,192	3,016,192	3,235	3,019,427	3,019,427
Texas Security Bank CD	0.55%	06/21/15	1,006,905	1,006,905	1,381	1,008,286	1,008,286
Comerica CD	0.29%	08/06/15	1,001,686	1,001,686	724	1,002,410	1,002,410
Comerica CD	0.29%	08/06/15	2,704,551	2,704,551	1,956	2,706,507	2,706,507
Comerica CD	0.55%	10/22/15	2,010,119	2,010,119	2,758	2,012,877	2,012,877
Comerica CD	0.56%	02/08/16	1,705,537	1,705,537	2,382	1,707,919	1,707,919
Inter National Bank CD	0.63%	05/08/16	501,054	501,054	781	501,835	501,835
Bank Texas CD	0.70%	05/20/16			1,000,786	1,000,786	1,000,786
Inter National Bank CD	0.90%	08/08/16	1,003,019	1,003,019	2,240	1,005,259	1,005,259
Bank Texas CD	0.75%	05/20/16			1,000,842	1,000,842	1,000,842
Inter National Bank CD	0.95%	11/08/16	1,504,808	1,504,808	3,567	1,508,375	1,508,375
Bank Texas CD	0.75%	11/20/16			1,000,955	1,000,955	1,000,955
Dallas Co Schools - Muni	1.50%	12/01/16	1,035,000	1,042,700	(6,345)	1,035,000	1,036,356
Inter National Bank CD	1.05%	02/08/17	2,007,086	2,007,086	5,259	2,012,345	2,012,345
Inter National Bank CD	1.35%	05/08/17	1,004,557	1,004,557	3,385	1,007,942	1,007,942
TOTAL			\$ 44,204,596	\$ 44,212,297	\$ 7,366,036	\$ 51,576,977	\$ 51,578,333

**Book Value
December 31, 2014**

	Maturity	Total	Concentration Fund	2006 Drainage Improvements	2009 Street Improvements	2009 Water CIP CO	2011B CO - Water CIP
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA		19,437,338	19,437,338				
Bank Texas MMA		245,079	245,079				
Bank Texas ICS		1,255,515	1,255,515				
Southside Bank MMA		2,322,878	1,318,144			1,004,734	
Texas Class		5,813,570	2,571,666	50,433	729,716	648,270	1,012,256
TexPool		471,831	429,337				
Comerica CD	03/16/15	3,019,427	3,019,427				
Texas Security Bank CD	06/21/15	1,008,286					
Comerica CD	08/06/15	1,002,410	1,002,410				
Comerica CD	08/06/15	2,706,507	2,706,507				
Comerica CD	10/22/15	2,012,877	2,012,877				
Comerica CD	02/08/16	1,707,919	1,707,919				
Inter National Bank CD	05/08/16	501,835	501,835				
Bank Texas CD	05/20/16	1,000,786	1,000,786				
Inter National Bank CD	08/08/16	1,005,259	1,005,259				
Bank Texas CD	08/20/16	1,000,842	1,000,842				
Inter National Bank CD	11/08/16	1,508,375	1,508,375				
Bank Texas CD	11/20/16	1,000,955	1,000,955				
Dallas Co Schools - Muni	12/01/16	1,045,153	1,045,153				
Inter National Bank CD	02/08/17	2,012,345	2,012,345				
Inter National Bank CD	05/08/17	1,007,942	1,007,942				
Total		\$ 51,587,130	\$ 46,289,712	\$ 50,433	\$ 729,716	\$ 1,653,004	\$ 1,012,256

**Book Value
December 31, 2014**

	Maturity	2013 Water- Sewer CIP	DPDC Bonds	Health Facilities Corporation	Industrial Development Board
Wells Fargo DDA		\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA					
Bank Texas MMA					
Bank Texas ICS					
Southside Bank MMA					
Texas Class		801,230			
TexPool			8,036	13,085	21,372
Comerica CD	03/16/15				
Texas Security Bank CD	06/21/15	1,008,286			
Comerica CD	08/06/15				
Comerica CD	08/06/15				
Comerica CD	10/22/15				
Comerica CD	02/08/16				
Inter National Bank CD	05/08/16				
Bank Texas CD	05/20/16				
Inter National Bank CD	08/08/16				
Bank Texas CD	08/20/16				
Inter National Bank CD	11/08/16				
Bank Texas CD	11/20/16				
Dallas Co Schools - Muni	12/01/16				
Inter National Bank CD	02/08/17				
Inter National Bank CD	05/08/17				
Total		\$ 1,809,516	\$ 8,036	\$ 13,085	\$ 21,372

**Market Value
December 31, 2014**

	Maturity	Total	Concentration Fund	2006 Drainage Improvements	2009 Street Improvements	2009 Water CIP CO	2011B CO - Water CIP
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Bank Texas MMA		245,079	245,079				
Bank Texas ICS		1,255,515	1,255,515				
Wells Fargo MMA		19,437,338	19,437,338				
Southside Bank MMA		2,322,878	1,318,144			1,004,734	
Texas Class		5,813,570	2,571,666	50,433	729,716	648,270	1,012,256
TexPool		471,831	429,337				
Comerica CD	03/16/15	3,019,427	3,019,427				
Texas Security Bank CD	06/21/15	1,008,286					
Comerica CD	08/06/15	1,002,410	1,002,410				
Comerica CD	08/06/15	2,706,507	2,706,507				
Comerica CD	10/22/15	2,012,877	2,012,877				
Comerica CD	02/08/16	1,707,919	1,707,919				
Inter National Bank CD	05/08/16	501,835	501,835				
Bank Texas CD	05/20/16	1,000,786	1,000,786				
Inter National Bank CD	08/08/16	1,005,259	1,005,259				
Bank Texas CD	08/20/16	1,000,842	1,000,842				
Inter National Bank CD	11/08/16	1,508,375	1,508,375				
Bank Texas CD	11/20/16	1,000,955	1,000,955				
Dallas Co Schools - Muni	12/01/16	1,036,356	1,036,356				
Inter National Bank CD	02/08/17	2,012,345	2,012,345				
Inter National Bank CD	05/08/17	1,007,942	1,007,942				
Total		\$ 51,578,333	\$ 46,280,915	\$ 50,433	\$ 729,716	\$ 1,653,004	\$ 1,012,256

**Market Value
December 31, 2014**

	Maturity	2013 Water- Sewer CIP	DPDC Bonds	Health Facilities Corporation	Industrial Development Board
Wells Fargo DDA		\$ -	\$ -	\$ -	\$ -
Bank Texas MMA					
Bank Texas ICS					
Wells Fargo MMA					
Southside Bank MMA					
Texas Class		801,230			
TexPool			8,036	13,085	21,372
Comerica CD	03/16/15				
Texas Security Bank CD	06/21/15	1,008,286			
Comerica CD	08/06/15				
Comerica CD	08/06/15				
Comerica CD	10/22/15				
Comerica CD	02/08/16				
Inter National Bank CD	05/08/16				
Bank Texas CD	05/20/16				
Inter National Bank CD	08/08/16				
Bank Texas CD	08/20/16				
Inter National Bank CD	11/08/16				
Bank Texas CD	11/20/16				
Dallas Co Schools - Muni	12/01/16				
Inter National Bank CD	02/08/17				
Inter National Bank CD	05/08/17				
Total		\$ 1,809,516	\$ 8,036	\$ 13,085	\$ 21,372

Book Value

September 30, 2014

	Maturity	Total	Concentration Fund	2006 Drainage Improvements	2007 Street Improvements	2009 Street Improvements	2009 Water CIP CO
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA		9,228,410	9,228,410				
Southside Bank MMA		5,321,092	4,316,818				1,004,274
Texas Class		7,076,877	3,470,964	50,421	23	1,068,177	648,114
TexPool		2,571,679	2,529,189				
Texas Security Bank CD	12/21/14	1,006,024					
Comerica CD	03/16/15	3,016,192	3,016,192				
Texas Security Bank CD	06/21/15	1,006,905					
Comerica CD	08/06/15	1,001,686	1,001,686				
Comerica CD	08/06/15	2,704,551	2,704,551				
Comerica CD	10/22/15	2,010,119	2,010,119				
Comerica CD	02/08/16	1,705,537	1,705,537				
Inter National Bank CD	05/08/16	501,054	501,054				
Inter National Bank CD	08/08/16	1,003,019	1,003,019				
Inter National Bank CD	11/08/16	1,504,808	1,504,808				
Dallas Co Schools - Muni	12/01/16	1,046,485	1,046,485				
Inter National Bank CD	02/08/17	2,007,086	2,007,086				
Inter National Bank CD	05/08/17	1,004,557	1,004,557				
Total		\$ 44,216,082	\$ 37,550,476	\$ 50,421	\$ 23	\$ 1,068,177	\$ 1,652,388

Book Value

September 30, 2014

	Maturity	2011B CO - Water CIP	2013 Water- Sewer CIP	2011 Corner Theatre	DPDC Bonds	Health Facilities Corporation	Industrial Development Board
Wells Fargo DDA		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA							
Southside Bank MMA							
Texas Class		1,012,013	801,038	26,127			
TexPool					8,036	13,084	21,370
Texas Security Bank CD	12/21/14		1,006,024				
Comerica CD	03/16/15						
Texas Security Bank CD	06/21/15		1,006,905				
Comerica CD	08/06/15						
Comerica CD	08/06/15						
Comerica CD	10/22/15						
Comerica CD	02/08/16						
Inter National Bank CD	05/08/16						
Inter National Bank CD	08/08/16						
Inter National Bank CD	11/08/16						
Dallas Co Schools - Muni	12/01/16						
Inter National Bank CD	02/08/17						
Inter National Bank CD	05/08/17						
Total		\$ 1,012,013	\$ 2,813,967	\$ 26,127	\$ 8,036	\$ 13,084	\$ 21,370

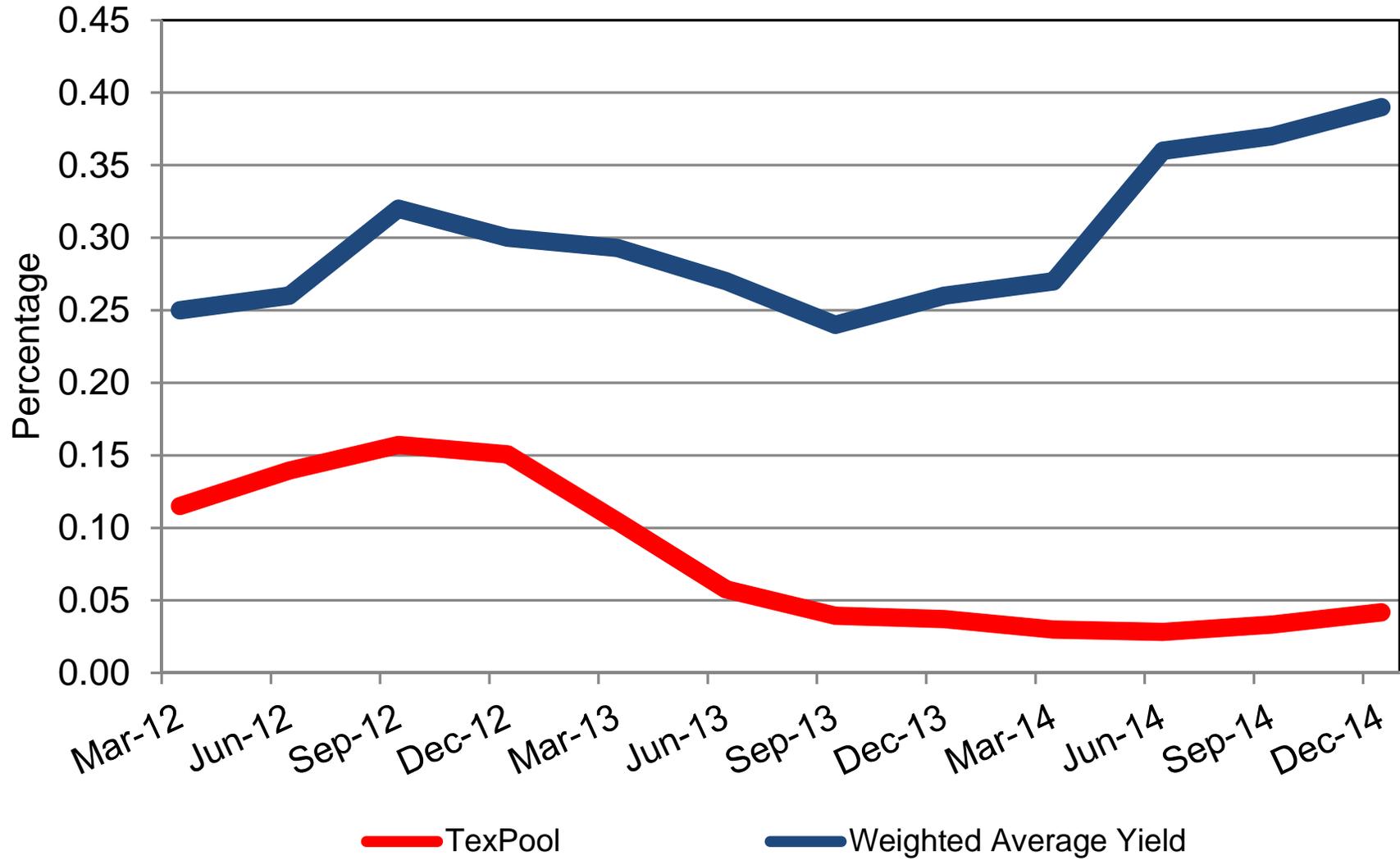
**Market Value
September 30, 2014**

	Maturity	Total	Concentration Fund	2006 Drainage Improvements	2007 Street Improvements	2009 Street Improvements	2009 Water CIP CO
Wells Fargo DDA		\$ 500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA		9,228,410	9,228,410				
Southside Bank MMA		5,321,092	4,316,818				1,004,274
Texas Class		7,076,877	3,470,964	50,421	23	1,068,177	648,114
TexPool		2,571,679	2,529,189				
Texas Security Bank CD	12/21/14	1,006,024					
Comerica CD	03/16/15	3,016,192	3,016,192				
Texas Security Bank CD	06/21/15	1,006,905					
Comerica CD	08/06/15	1,001,686	1,001,686				
Comerica CD	08/06/15	2,704,551	2,704,551				
Comerica CD	10/22/15	2,010,119	2,010,119				
Comerica CD	02/08/16	1,705,537	1,705,537				
Inter National Bank CD	05/08/16	501,054	501,054				
Inter National Bank CD	08/08/16	1,003,019	1,003,019				
Inter National Bank CD	11/08/16	1,504,808	1,504,808				
Dallas Co Schools - Muni	12/01/16	1,042,700	1,042,700				
Inter National Bank CD	02/08/17	2,007,086	2,007,086				
Inter National Bank CD	05/08/17	1,004,557	1,004,557				
Total		\$ 44,212,297	\$ 37,546,691	\$ 50,421	\$ 23	\$ 1,068,177	\$ 1,652,388

**Market Value
September 30, 2014**

	Maturity	2011B CO - Water CIP	2013 Water- Sewer CIP	2011 Corner Theatre	DPDC Bonds	Health Facilities Corporation	Industrial Development Board
Wells Fargo DDA		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo MMA							
Southside Bank MMA							
Texas Class		1,012,013	801,038	26,127			
TexPool					8,036	13,084	21,370
Texas Security Bank CD	12/21/14		1,006,024				
Comerica CD	03/16/15						
Texas Security Bank CD	06/21/15		1,006,905				
Comerica CD	08/06/15						
Comerica CD	08/06/15						
Comerica CD	10/22/15						
Comerica CD	02/08/16						
Inter National Bank CD	05/08/16						
Inter National Bank CD	08/08/16						
Inter National Bank CD	11/08/16						
Dallas Co Schools - Muni	12/01/16						
Inter National Bank CD	02/08/17						
Inter National Bank CD	05/08/17						
Total		\$ 1,012,013	\$ 2,813,967	\$ 26,127	\$ 8,036	\$ 13,084	\$ 21,370

Total Portfolio Performance





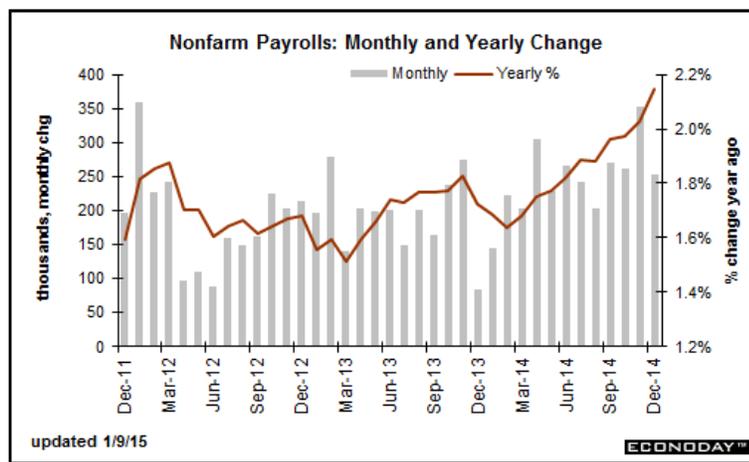
Valley View Consulting, L.L.C.

Market Outlook

January 9, 2015

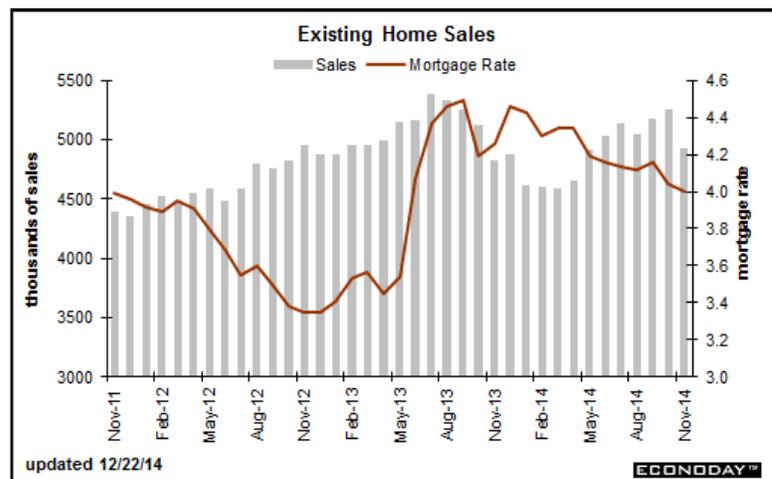
It appears that Oil is the new Ebola for the markets. As focused as the markets were on the appearance of Ebola on U.S. shores during the October/November timeframe, it is now hyper-focused on the price of oil. Although the price of oil has been slipping from over \$100 per barrel in mid-2014 to around \$48 currently, the drop has become more dramatic in the past month. The markets are examining this occurrence and making a pessimistic assessment of the impact it may have on the economy, but are the bears taking into consideration the positive impact that it could have on domestic consumption? While the bears are locking their jaws around the stock and fixed income markets, the rest of the domestic economy appears to be moving forward. The debate will continue over whether falling oil prices will help or hinder economic recovery. Globally, the European Union continues to flirt with recession and now new terrorism outbreaks are adding to the stress. Ultimately, the U.S. will feel some impact if the rest of the world economy continues to destabilize.

The Employment reports have continued to improve. The economy added another 252,000 jobs during December, higher than the forecasted +245,000 jobs. Surprisingly, the November report of +321,000 jobs, which many economists expected to be revised downward due to its lofty result, was actually revised higher to +353,000. This increase of 32,000 in the revision was a positive shock to the market. The October results were also revised higher by 20,000 jobs. Overall, the economy has added an average of 289,000 each month during the last quarter of 2014 and December represents the eleventh straight month of reporting +200,000 jobs. The one disappointing aspect of the report was the decline in the Average Earnings Rate, which fell 0.2% during December. The Federal Open Market Committee (FOMC) has



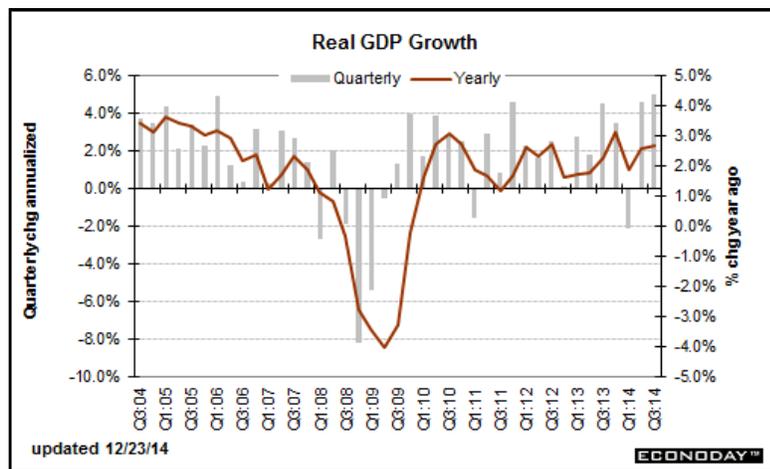
targeted a need to improve the earnings experience for the American worker. The Unemployment Rate fell to 5.6% in December from the 5.8% report in November. This very positive number may have been dialed lower by a decline in the participation rate (i.e. fewer prospective workers looking for employment).

The housing sector was softer than in recent periods. Existing Home Sales fell 6.1% in November after rising 1.4% in October. The median price of sold units fell another 1.2% after falling 0.4% in October. The supply of Existing Homes remained at 5.1 months. New Home Sales fell 1.6% in November after rising 0.6% in October and supply rose to 5.8 months from October's 5.7 months. The median price of new homes sold dipped 0.08% in November after surging 16.5% in October. Both the Housing Starts and Housing Permits reports slipped in the past month, but remain in line with seasonal expectations. S&P Case Shiller, a recognized evaluator of home values in the 20 major metropolitan



areas, reported improvement in 8 of the 20 cities and overall dipped 0.1% from September results on a seasonally adjusted basis. Construction spending fell 0.3% in November after improving in October, but most of the decline was due to lower private and public non-residential properties. The residential component continues to improve.

The production side of the economy had a good month once again. The final report for Gross Domestic Product (GDP) for the third quarter



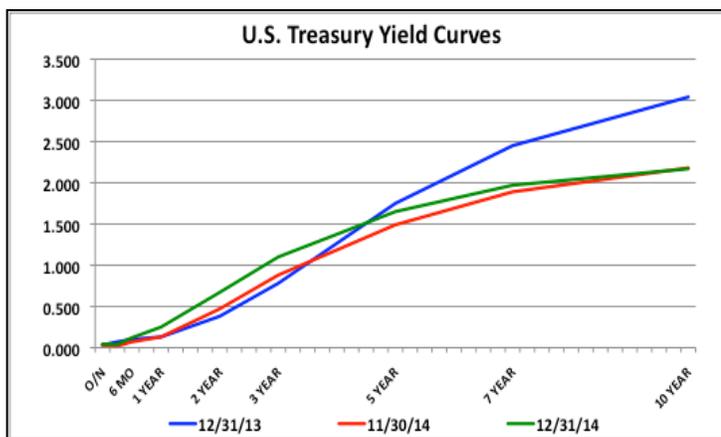
came in at a surprising +5.0% following the impressive +4.6% rate in the second quarter. Durable Goods Orders slipped 0.7% in November after rising 0.4% in October with softer auto production driving the decrease. Industrial Production improved in November rising 1.3% over October's results. Business Inventories remain in the comfortable range, rising 0.2% in October and remaining balanced against sales. The Producer Price Index (PPI) fell 0.2% in November after rising 0.2% in October. The majority of the decline was related to

falling energy prices. The Consumer Price Index (CPI) also declined 0.3% in November as a result of falling fuel prices.

On the consumption front, Retail Sales rose 0.7% in November after rising 0.5% in October. Consumer Sentiment was relatively flat in December, but Consumer Confidence rose slightly during December. These indicators are measured by different organizations, but results generally remain fairly similar to one another. It is expected that the decline in oil and gas prices will benefit the consumers immensely and should begin to drive consumption, particularly non-discretionary consumption, in the near future. Non-discretionary spending, or spending on products/services that are not considered necessities, are a fundamental building block to a broad-based economic recovery.

The FOMC met on December 16th and 17th, and the meeting was followed by a press conference held by Chair Janet Yellen. There were no real surprises in the statement following the meeting or in the statements made by Chair Yellen during the press conference. The primary theme of the release was that the FOMC feels it can be patient in their approach to raising interest rates and that the timing of raising the Fed Funds rate will depend on economic data. With the Fed Funds rate being the only Fed stimulus that is still being utilized, the FOMC is close to weaning the economy off of the lifeline that was thrown out following the Great Recession. The majority of the FOMC members now anticipate that the Fed Funds rate will increase during 2015.

Current Government Security Investment Pool rates rose slightly in December, ranging in the +/-0.04% to +/-0.08% area. Certificate of Deposit rates finished December with the 2-year and longer maturity unchanged from November. The one-year CD remained in a range of 0.20% to 0.30% in December, the same as in the previous six months. Strategy for public funds should continue to favor CDs or other collateralized bank products such as money market accounts.



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