

Report to the Council by Mayor Miller, regarding City of Conrad's Investment Accounts and Financial Performance

To date, our city books are balanced now from July 2022 to June 2023. I can confidently assure you the city books indicate reconciliation and no mismanagement of investment funds.

Prior to the Finance Officer's (FO) resignation in March of 2023, she had briefly discussed some of the city's CDs/investments with me. She had advised and moved matured CDs into the STIP account as STIP had a higher rate of returns in comparison to other investment locations, such as the City's Stockman money market account.

After her departure, and in absence of a knowledgeable finance officer, this practice continued. CDs that matured from March 2023 to November 16, 2023 were directed to be placed in the STIP account for holding until a knowledgeable FO was in place and could advise us on what should be done with these funds and/or future investments. Councilwoman Breeding had also mentioned to the office staff that placing the funds in the STIP account was a wise decision.

Additionally, during this period, I met with a couple local bank representatives, upon their request. They kindly presented awareness of their institution's local investment offerings and expressed a desire for us to consider investing in their local banks. However, it was explained that while we likely

will desire to invest more locally in the future, naturally, depending on what's best for the city at the time, we could not consider new investments until our books were balanced and had full grasp of our financial situation. As you are aware, the City's accounting books were not balanced during this time and we also had no awareness to know if any of this invested money was earmarked or part of our reserves, etc. This is still a question I have and, without a knowledgeable finance officer in place, this is a question to be researched.

An investment group, Rademacher Financial Inc., began contacting me in ~April of 2023 regarding their firm's involvement in the City's investments. During this time, again without a knowledgeable FO in place, we were asked to sign a new agreement that would allow them to continue their services with the City of Conrad. The company was very aggressive in communications and not always professional in their contact with the office. On multiple occasions I explained to their representative that we would not commit to signing an agreement without a knowledgeable finance officer to advise us. I was also not educated in investments and was not willing to agree to the fees, etc. especially without understanding the necessity and parameters of this agreement nor was this a

priority for us to tackle if our funds were safe.

I visited with Mr. Rademacher and Mr. Cox in a call over the summer and was told that although this contract was necessary to remain engaged with their services, and was time dependent from their company's perspective, we could enter into this agreement at any time and that our invested funds and/or funds that had matured and sitting dormant, were not at all at risk.

I later understood from Mr. Cox that the matured CDs could be moved back to the City (for rolling into the STIP account) and he assisted me in notifying Raymond James to request the matured funds be sent to us. In August of 2023, Mr. Cox provided me an Excel sheet with the city's investment portfolio and explained this was a document Agnes created/used. This was the first time I learned of the different CDs, maturity dates, and amounts. I was able to then see the CDs that would be maturing and where the investments were held. In interest in maintaining a relationship with Rademacher, for when we had a FO in place with knowledgeable advisement, I did communicate a willingness to visit again in the spring (2024) but would also appreciate less contact in the meantime. Note, CDs that mature with Raymond James do not require involvement by this firm and can

be requested for disbursement from them directly.

The Stockman Bank money market account interest return has ranged from 1.94% in March of 2023 to 2.38% in June of 2023. In comparison, the STIP account investment returns have ranged from 4.53% in March of 2023 to 5.08% in June of 2023. As of December of 2023, it had a balance of \$5,873,354.50 and was earning 5.439% interest. Based on STIP's rate of returns, the fact the funds in the STIP account can be drawn without penalty for reinvestment or to be used for city expenses quickly, this is the most viable, secure holding account and has been used as such historically. Until a knowledgeable finance officer can advise on further investment needs, the use of STIP in this manner is in the city's best interest at this time.

Last week, in a passing conversation, Finance Officer Mink informed me a CD had been re-invested at Independence Bank during my absence. I was not made aware of this CD by a finance officer. It was subsequently brought to my attention that there was mention in a council meeting during my absence that a CD was called early from Independence Bank. There is no mention of CDs included in Ms. Mink's written work report that was provided to me upon my return (work report from November 17th to January 8th). I will be requesting from the finance officer further explanation regarding this transaction to better understand what penalties were imputed and the history behind this reinvestment (advisement, etc.). I will also ask for a report of all investments the city holds.

Provided today is a copy of a manual reconciliation Excel sheet given to me by the MT League Financial Assistance,

Ms. Fowler, that was used to solidify the city's accounting records. As you can see, it shows all investments and pertinent information that you requested. Note, this was provided to me yesterday and a document I have not had prior.

Final note, according to the MT League Financial Assistance, Ms. Fowler, our city accounting books (not bank account balances) are now balanced through June of 2023. No issues or concerns regarding investment accounts have been brought to the City's attention and per Ms. Fowler, our books would not have balanced if these funds had been mismanaged during this period. As we are not yet balanced from July to current, which is a critical requirement to ensure all reconciliations correlate. Thus, this verification will be done from this time forward as the books are balanced.

We are nearing the end of the funds on the current league contract thus an amendment will be needed to complete reconciling the 13th month, for completion of closing entries, and completing the Annual Financial Report. The League will be providing us an update of their activity at the next Council meeting. Ms. Fowler also offered to schedule an appointment with Council, the Finance Officer, and myself to further review the related investment accounts, if needed.

As this request [from the Council for a report] came through on Friday afternoon, Monday was a holiday, and without a Finance Officer available with a historical and/or any knowledge of these investments, I would kindly ask Council to specify any additional questions or information needed and allow time for our new FO to assist me in gathering more

detailed reports and information, if needed.

Editor's note: This report was delivered at the Special Council Meeting held Tuesday, Jan. 16, as the Mayor's response to the special council meeting agenda: Agenda Item #4 – "Report to the council by Mayor Miller, pursuant to Conrad City Charter §3.05(8), regarding her activities involving the City of Conrad's investment accounts since February of 2023 and the financial performance of said accounts"