School Board Meeting/Workshop:	**November 14, 2011**
Subject:	**Quarterly Investment Report**
Presenter:	**Gary Kawlewski**

SUGGESTED SCHOOL BOARD ACTION: Report only

DESCRIPTION: The attachments contain information about the estimated cash and investment position of the district as of October 31, 2011.

Investment Portfolio 10.31.11
The estimated cash balance of the district as of October 31, 2011 is $14,755,215. The current allocation is made up of 47% FDIC insured or collateralized certificates of deposit, 27% A1P1 or better commercial paper, and 26% in liquid accounts. All allocations are within the investment policy guidelines for the respective types of investments. The report shows the listing of the various investments by type. It also shows the brokerage firm through which we have invested the funds.

Cash Position Graphs 2011-12
The top graph on this report shows the projected cash and investment balances as of the end of each month of the fiscal year. The top portion of each bar in red represents the funds that are in daily accounts and the bottom portion in blue represents the investments that have yet to mature. The intention with our portfolio is to have our funds invested out as far as statutes and our cash flow position will allow. Our cash position is highest in October, November, and December as we receive the second half of our tax settlement and receive the majority of the state aids that are withheld from the prior year by December. Our funds go down markedly at the end of January as we make our principal and interest payments on our bonds. Our cash position is typically at or near its lowest point in mid-June through mid-August as we pay off our teaching staff and see little state aid in the months of June and July.

The bottom graph shows the projected monthly balances for 2011-12. In many cases, our cash position at the end of the month is higher than it is at different points during the month. This is due to the majority of our revenue being paid on the 15th and 30th of each month and a number of our larger payments occurring at points other than the 15th and the 30th of the month. We are hoping to avoid borrowing funds for cash flow in this fiscal year. However, you can see that in June of 2012 we are projected to be in deficit in the operating funds as has been reported previously. We are projecting that we will still have a positive cash flow position when we combine the debt service and the operating funds as of June 30.

I have also included the same graphs for the 2012-13 year. There is little question that we will need to borrow funds for that year. We may need to look at short-term and long-term borrowing to get us through our cash flow needs. We will analyze the best way to get us through the cash flow hurdles. We have opened lines of credit with Klein

Bank and MNTrust for that purpose so we would be set up to borrow for the shorter term periods. We would also be able to issue aid anticipation certificates for what appears to be a longer shortfall stretch in the second half of the year.

We will continue to monitor our cash flow for investment opportunities that might exist and to anticipate any cash flow borrowing that may need to occur.

<u>OPEB Trust Quarterly Report</u>
The first graph in the upper left shows the quarterly balances of the OPEB Trust that is held with Bremer Bank's trust services department. The trust was opened in October of 2009 and had a balance of $10,692,177. The balance in the trust as of October 31, 2011 is $12,015,021 for a net increase of $1,322,844 since its inception or a 12.37% increase. The two graphs on the right side of the page show the asset allocation of the portfolio and the value of the asset allocation categories.

The bottom chart summarizes our net unfunded retiree benefit liabilities and compensated absences estimates as of October31, 2011. Our most recent actuarial study was completed as of July 1, 2010 and it shows that our actuarial accrued liability or OPEB liability is estimated at $13,803,801. The report also shows our compensated absences liability at $1,850,460 for a total retirement benefits and compensated absences liability of $15,654,261 as of July 1, 2010. We are required to update this study every two years.

To offset those balances, the district has the balance in the OPEB trust of $12,015,021. In addition to that total, the district has a designated fund balance to help fund the district's severance and compensated absences obligations in the amount of $3,965,750. These two amounts combined total is $15,980,771. When netted against the total estimate of OPEB and compensated absences liabilities of $15,564,261, we are now showing a projected surplus over the next 30-year period which is estimated at $326,510. The district has negotiated measures to help control OPEB liabilities going forward for many employee groups and also worked to provide caps for compensated absences as well. We will continue to look for ways to minimize the OPEB liability and to continue to increase the amount of revenue to offset those retiree obligations.

ATTACHMENT(S):
Cash and Investments Portfolio 10.31.11
Cash Flow Graphs 11-12 10.31.11
Cash Flow Graphs 12-13 10.31.11
OPEB Trust Quarterly Report 10.31.11