

Crosslake Community Schools

Investment Income

August 21st, 2023

Over the past five years, the School has been able to increase the fund balance from \$612,000 to an estimated \$2.7 million after recognizing the Employee Retention Credit as earned. This increase in Fund Balance has also increased the cash reserves. With the rising interest rates that are being offered on Certificates of Deposits (CDs) by banks, it provides an opportunity to earn interest revenue significantly faster on a much larger cash balance than the School has ever had.

Although interest rates have increased significantly, there are variances between what can be earned between two different banking institutions. As an example, the School banks with First National Bank and they are offering an interest rate of 4.00% for short-term (one year) CDs. Another bank that Dieci School Finance works with in the Twin Cities is currently offering 5.36% on their short-term CDs.

For comparison purposes, if the School were to invest in \$1.5 million of the cash reserves into a CD at First National Bank, the School could anticipate earning \$60,000 in a year's time. That same investment made at the other institution would earn \$80,400, or an additional \$20,400.

This interest earning potential would immediately increase the revenue budget and could help offset current costs or add to an increasing Fund Balance. The Finance Committee is recommending investing up to \$1.5 million right away with an accredited financial institution that has a higher yield. This deposit will be insured for any excess over the FDIC limit and in accordance with Minnesota Statutes. With the School's reserves being at their all-time highest, there is no concerns about a shortfall of operating cash throughout the school year.