



ISJIT INVESTMENT POOLS SAFETY UPDATE

by Scott Cabalka, Vice-President, Voyager Asset Management Inc.

Unprecedented events in the marketplace have posed enormous challenges for the credit markets over the past year, and in particular during the past two months. The predictable, relatively sedate characteristics of money funds and pools that have long been enjoyed by investors in these instruments have been tested during this period. There has been heightened concern with respect to the safety of short term liquid investment vehicles that include bank deposits, short-term securities, money market funds and pools. We would like to provide a framework by which to assess the appropriate nature of risks that may be inherent in these types of investments so that investors may make an informed determination of fund safety. We have always approached the safety and liquidity of the ISJIT funds as our paramount priority. Throughout this volatile period, neither principal safety nor liquidity has been compromised.

To better frame this conversation, the question of investment risk in pools and money market funds should be broken into two pieces:

- (1) An assessment of the **credit risk** associated with the pool, or what is the **risk of default?**
- (2) An assessment of the **liquidity risk** an investor has when they invest in the fund.

Or, stated differently, what is the risk that investors cannot get their money when needed, or receive less than a \$1.00 for each \$1.00 invested?

PERSPECTIVES ON CREDIT RISK

We believe there is virtually no assignable risk that agency securities in the fund would fail to perform in the manner expected. We believe they will pay in full, on time, at maturity. The terms of the government's explicit support – valid for the next 18 months and pending further restructuring of these government sponsored enterprises (GSEs) – appear at the end of this letter for review.

PERSPECTIVES ON LIQUIDITY RISK

In general, Money Market funds and liquidity pools do have some level of risk associated with investors' inability to withdrawal funds when demanded, and of not receiving the full amount of their investment in return. Those risks are

Also in this Issue...

Focus in a Time of Uncertainty
How will current economic issues impact schools?..... p. 2

Kruse'n Down the Highway
Paul's reflection of his travels around the state p. 3

In the Spotlight
Business manager from East Marshall p. 3

New ISJIT Services
Enhanced services designed to make your life easier ... p. 5

Quarterly Recipe
Vegetable-Stuffed Turkey Loaf p. 5

Meet Lindsey
Help us welcome our newest ISJIT team member..... p. 7

(Continued page 4)

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Since 1986, ISJIT has assisted more than 325 school corporations in safely increasing their investment income. Sponsored by the Iowa Association of School Boards, governed by a board of trustees, and served by dedicated professionals, ISJIT offers investment alternatives to meet participants' cash management needs.



FOCUS IN A TIME OF UNCERTAINTY . . .

by Larry Sigel, IASB School Finance Director

While I usually try and keep these articles a bit on the lighter side, current events both in the world and the financial markets made me step back a bit. How will the current economic situation impact schools? This is a question which is posed to me daily by board members, superintendents and school business officials.

In short, while state revenues have been described as “uncertain” by members of both the Legislative and Executive branches of state government, nothing has really changed as far as school funding goes. Remember that what the state provides schools through the allowable growth process is the increase in *spending authority*. That spending authority is then *funded* by both property taxes and state aid. There have been no proposals to reduce the allowable growth in the current fiscal year. Next fiscal year’s allowable growth was already set at 4 percent during the last legislative session.

Until the legislature convenes, the only mechanism for the governor to use is an Across the Board (ATB) cut. This is a uniform reduction to all state appropriations, which is set on a percentage basis. What would an ATB cut do to schools? In reality, not much. It would reduce the state aid that we receive but wouldn’t reduce the per pupil spending authority. A common question is: But shouldn’t schools make cuts to offset the reduction in state aid? Remember, schools have very little ability to reduce costs during a fiscal year - contracts with certified staff are binding, so there is very little ability to reduce expenditures until the upcoming fiscal year.

Is an ATB cut likely this year? No one can really know the future, but the state has significant reserves that could be used to offset reduced revenue collections during the fiscal year. Even if there are reductions, either through an ATB cut or through deappropriations by the legislature, alternatives exist for schools. Whether it is using our cash reserves or through cash flow borrowing programs like the Iowa Schools Cash Anticipation Program (ISCAP), schools can continue to operate with the least possible interruption to student learning.

While watching the tumult in the marketplace on TV recently, I was struck by the comments of one television analyst. During her comments she remarked, “It’s important for people to keep the larger view, we’re still going to have dinner tonight, we still have to do the dishes, the kids are still going to get up to go to school in the morning, the sun will rise and it will set and we will go on living life. Is it going to be exactly as everyone planned in their minds? No, but it wasn’t going to be like that anyway.” These comments remind me of a poster in Great Britain during World War II which simply said: Keep Calm and Carry On.

That’s probably the best advice I can possibly give right now - let’s all keep calm and carry on. ♦

KRUSE'N DOWN THE HIGHWAY

The adventures of Paul Kruse and his travels across Iowa



by Paul Kruse,
Financial Services
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Resilient. Dedicated. Caring. Proud. These are just a few words to describe the people of Iowa this past summer. The Summer of 2008 will be remembered forever by all Iowans, especially those affected by the devastating tornadoes and floods...from Corning in southwest Iowa to Elkader in northeast Iowa, from Mason City in north central Iowa to Wapello in southeast Iowa, and many areas in between. Stories of the deadly F-5 tornado in Parkersburg and New Hartford have made us all much more aware of the force and strength of an Iowa tornado. From visiting with some of the school officials from those schools that were affected, it sounds like the beginning of the 2008-09 school year was welcomed as it provided at least some normalcy to their chaotic summer.

On my way to appointments in northwest Iowa in July, I drove through Parkersburg and New Hartford about one month after the tornado. Like many of you, I had seen the destruction through images on the Internet, but to actually see the devastation and destruction was indescribable. I passed through again recently, and the progress and change that had already taken place is unbelievable. It just demonstrates how much can be accomplished when people work together with a common goal.

The summer weather altered some of my travel plans. Similar to this past winter, roads were impassable, this time due to a different form of precipitation...twice I had to turn around due to water over the road. It was still a busy time, hitting all four corners of the state. Although I believe all areas of this great state of ours have their own characteristic beauty, I do believe I enjoy some more than others, just because I grew up in the part of the state that didn't offer the same views.

(Continued page 6)

BUSINESS MANAGER SPOTLIGHT

Nancy Burchland, East Marshall Community School District



by Deb Norton
BTC Capital
Management

Nancy Burchland has been with the East Marshall Community School District for 20 years. She has been the business manager for 12 years and also serves as the board secretary and treasurer. East Marshall CSD is mostly rural and includes several small towns 60 miles northeast of Des Moines. The high school is located in LeGrand, the middle school is in Gilman, and the elementary school is in Laurel. The district also includes the towns of Ferguson, Dillon, Quarry, and Dunbar and has a total K-12 enrollment of 850 students.

Nancy grew up on a farm near Arispe, Iowa, and attended East Union High school until she was a sophomore. She then moved to Gilman, Iowa, and graduated from SEMCO school district. She went on to earn her AA degree from Marshalltown Community Collage and then attended the Marshalltown branch of Buena Vista where she received a BA in

Accounting. She began her working career with General Telephone in Grinnell, Iowa. She took a few years off to stay home with her three children before going to work for East Marshall Schools.

Nancy says the biggest challenge she faces as business manager is the ever-changing requirements for school financial reporting, the new laws and regulations like GASB 45 and 403b requirements. The best part of her job is that she was able to be involved with her children's education and is now involved with her grandchildren's education. Plus she only has a two-mile commute through the beautiful countryside to work every day.

When Nancy is not at school, she helps her husband on their farm near Gillman. She also stays busying with her grandchildren that range in age from four months to nine years. ♦

grounded in the ability to maintain an appropriate percentage of portfolio assets that are immediately available for sale to meet withdrawal demands, and the efficiency of the market for the portfolio's securities holdings should they need to be sold.

On the matter of securities immediately available for sale, or securities maturing on a timely basis to meet demands, the ISJIT pools are very liquid. In addition, the Diversified pool has a well diversified participant base where no individual investor represents a material portion of the portfolio. The ISJIT Diversified portfolio has slightly over 30% of assets that mature each day with all available cash from those maturities, after investor activity, is reinvested overnight – each day. There are nearly 40% of pool assets that mature within seven days. The average maturity of the portfolio is less than 30 days, and 90% of the portfolio matures within 90 days.

Active markets are in place to efficiently sell short-term government agency securities without taking material losses. The agency securities we hold in the pool are senior debt instruments of the issuing GSE and include the discount notes and short debentures we employ in the pool. These securities receive explicit support from the U.S. government. The liquidity problems of the money funds that appeared in the headlines were, for the most part, related to non-agency securities – namely commercial paper and bonds – where there was no bid or the bid was only 'cents on the dollar.'

We appreciate your interest and participation in ISJIT, and we thank you for your continued support of the program.

Voyager Asset Management

DETAILS OF THE TREASURY ANNOUNCEMENT ON FREDDIE MAC AND FANNIE MAE

- The Treasury's stated goals are to provide stability to the markets, support availability of mortgage financing and protect taxpayers.
- The Federal Housing Finance Agency is the Conservator of both companies, until "a safe and solvent condition has been completed successfully."
- Treasury purchased \$1 billion of newly issued senior preferred shares of both FNMA and FHLMC that are indefinite in duration and may increase this to \$100 billion in each entity.
- Treasury also received equity warrants representing a 79.9% stake in each entity.

- Current outstanding common and preferred stock dividends have been suspended.
- Both GSEs will be allowed to grow their portfolios to a limited amount through 2009 but will decline by 10% per year, beginning in 2010.
- Temporarily increased the Treasury's credit facility significantly to each firm and FHLB
- The U.S. Treasury can purchase GSE mortgage pools in the open market in an unlimited amount, holding them indefinitely.

DIRECT MARKET IMPLICATIONS

- The plan removes an immediate threat that the market would have continued to price in the risk of default for FNMA and FHLMC debt and that investors would respond by selling large mortgage portfolios of securities. Furthermore, this perceived risk of default could have contributed to the curtailment of mortgage lending activities.
- The U.S. Treasury has consistently stated its objective of protecting taxpayers.

OTHER BACKGROUND – VOYAGEUR PERSPECTIVE

The terms of the rescue plan are consistent with Voyager's long held perspective that the senior debt holders had to be protected regardless of recent concerns over the low capital levels and weaker prospects for future profitability of Freddie Mac and Fannie Mae. The two GSEs have \$5 trillion in combined debt and guarantees on mortgage obligations. They have become so integral to the global economy that the alternative to Treasury support would have risked an unprecedented global financial meltdown, where the free flow cash would have simply ceased throughout much of the system.

Treasury recognizes the necessity of protecting bondholders to promote financial stability and lower mortgage rates, but the long-term fate of these businesses remains in question.

It will take months of debate and congressional wrangling for the business models of these entities to be formally hashed out, and outcomes will be influenced by the political philosophies prevailing during the next Congress and Administration. We share the broadly held view that this action is far superior to a continuing crisis of confidence that would likely have been met by accelerated domestic and foreign divestiture in agency debt holdings leading to a sharper downward economic spiral. ♦

NEW SERVICES AVAILABLE FROM ISJIT

by Lindsey Huber, Bankers Trust

On July 1, 2008, ISJIT launched a new line of services. We are proud to offer you more user friendly, efficient options aimed at maximizing your investment potential. We would like to take this opportunity to introduce you to a few of our new services.

With ISJIT Checkwriting, life just got a little easier. Now, you can save yourself the time required to transfer funds from ISJIT to your local bank. Open one account, or multiple accounts, based on your district's needs. Your funds will remain invested in ISJIT until your checks clear, allowing for higher interest earnings. ISJIT can provide you with checks that are comparable to the ones you are currently using. Best of all, ISJIT's



checkwriting service is FREE for participants using ISJIT for state aid deposits and payroll services.

If you are currently using payroll software to pay your employees via ACH, you can now upload those files directly to ISJIT Online! Leave your funds invested in ISJIT, and we will debit your account to process the payments for you.

ISJIT also offers Remote Deposit and SWEEP

services to compliment the new checkwriting features. Purchase a remote deposit scanner, have it installed in your office, and make your deposits from your desktop! No more trips to the bank each day. Alternatively, ISJIT can automatically "sweep" deposits from your

local bank into your ISJIT account at no cost to you.

Tired of writing checks to pay the same vendors every month? ISJIT now offers FREE electronic bill payment to all participants. Use ISJIT Online to set up your vendors, and schedule your payments electronically. You can request an ACH transfer, or a paper check, depending on your needs. You can even schedule recurring payments. All of your bill payments will be reflected on your ISJIT statements, making them easy to track each month.

Thank you for your continued support of ISJIT. If you are interested in utilizing any or all of ISJIT's new services, please contact Paul Kruse. You may also contact us with any questions, comments, or concerns at 1-800-872-0140 ext. 1 or isjit@bankerstrust.com. ♦



PAUL'S RECIPE OF THE QUARTER

VEGETABLE-STUFFED TURKEY LOAF



My wife attended her high school class reunion this past summer and had dinner at one of her classmate's homes during the weekend. She came home with this recipe and we've enjoyed it several times since. She thought you might enjoy it.

Ingredients

1 slightly beaten egg
1/2 cup fine dry bread crumbs
1/2 cup finely chopped onion
1/4 cup milk
1/2 teaspoon dried thyme, crushed
1/4 teaspoon dried rosemary, crushed
1/4 teaspoon garlic salt
1/4 teaspoon pepper
1 1/2 pounds ground raw turkey
1 cup chopped broccoli
2/3 cups shredded carrots
1/3 cup chopped red sweet pepper
2 tablespoons grated Parmesan cheese
2 tablespoons currant jelly, melted

1. In a medium bowl combine egg, bread crumbs, onion, milk, thyme, rosemary, garlic salt, and pepper. Add turkey; mix well. On a waxed paper pat turkey mixture into a 12x8 rectangle; set aside.
2. For vegetable stuffing, in a saucepan cook broccoli, carrots, and sweet pepper, covered, in a small amount of boiling water for 3-4 minutes or until crisp tender. Drain well. Stir in Parmesan cheese. (To microwave the stuffing, combine the vegetables in a 1 quart microwaveable safe dish and microwave on high for 2-3 minutes).
3. Spread vegetable stuffing over turkey mixture to within 1 inch of sides. Beginning at short end, roll turkey tightly using waxed paper to lift mixture. Peel waxed paper away as you roll. Place in a 9x5x3 inch loaf pan.
4. Bake in 350 degree oven for 1-1 1/4 hours or till meat thermometer registers 180. Transfer to serving platter; brush with melted jelly.

Makes 6 servings

Prep time: 25 minutes

Bake time: 1 hour

For example, a trip to northwest Iowa, and I mean far northwest Iowa, gave me the opportunity to visit Central Lyon CSD in Rock Rapids, Boyden-Hull, Sioux Center, Hartley-Melvin-Sanborn, Spencer, Okoboji, Storm Lake, Pomeroy-Palmer, Rockwell City-Lytton, West Bend-Mallard, and the IASB district meeting in Sheldon. The Iowa Lakes region always amazes me and especially during the summer months seems like a completely different part of the world, with all the boats, people relaxing, shopping in the many area stores, and just a more kick-back feeling.

A trip to southern Iowa, especially along Highway 2, shows Iowa's beautiful rolling hills, Amish farmers growing their crops with horse-drawn equipment right along the fields of their neighbors, with their 4-wheel drive tractors with price tags in the hundreds of thousands of dollars. Calves born in early fall run through the pastures and don't have a clue what winter will bring in a few months.

On a recent trip to eastern Iowa, I drove on a scenic stretch of Highway 64 between Maquoketa and Miles, and I couldn't believe my view. The sun was coming up in the east, and we had one of those early fall days when the low areas have just a little fog. You can see forever, and the crops haven't quite turned so the countryside is still green. The livestock are making their way out to the pasture to begin their day of grazing. Once again, a great reminder of why I love living in Iowa.

Of course, along the way a guy has to eat! I've got a few new spots to recommend and a couple I'll just keep to myself. Pillars Steakhouse in Leon serves up a great Panini sandwich and fries. The sandwich was stacked with smoked turkey, cheese and flavor. For dessert, I had a Dutch letter that ranked right up there with those from Pella.

While in Bancroft, in Kossuth County about 15 miles south of the Minnesota border, I stopped at the Kettle Café. The special of the day was chicken fried steak with

mashed potatoes, gravy and green beans. There was great food, excellent service and a nice chat with a couple of the local farmers. It sounds like they've been spared up in that area from most of the summer's bad weather.

I had hoped to stay at Sisters Inn in Bancroft, but an early morning meeting back in Des Moines forced me drive back that evening. I did a little research on Sisters Inn and plan to stay there on my next trip north. For almost 40 years, the building was a residence for Franciscan nuns who taught in Bancroft's Catholic school. The Inn has eight bedrooms with queen sized beds, three apartments, and one suite. The building was purchased by two sisters and their husbands for \$10,000 in May of 2005, and three years and \$250,000 later, Sisters Inn is one of the nicest places to stay. This is a definite overnight stay next time I'm in the area.

The Remsen Café in, where else, Remsen, is another one of those welcoming restaurants where people are friendly, the food is good and prices are reasonable. I ordered the Tuesday special, which is a hot beef sandwich, but the waitress informed me that you need to get there early if you want the special. She said they ran out before noon, so I settled for the Remsen Burger. You need two hands to eat one of those hamburgers, and it's stacked so high with bacon, tomato, onions, lettuce and pickles that you can't eat it without embarrassing yourself. A nice surprise was a chocolate chip brownie that came with the meal.

While meeting with about a dozen business managers from southwest Iowa, I had the opportunity to eat fantastic food at one of the more unique restaurants. The Firehouse Brewery and

Restaurant in Red Oak is located in a refurbished firehouse, complete with lots of memorabilia. I had one of the biggest and tastiest pork tenderloins I've ever had with an order of fries. I would have liked to try one of the desserts, but I would have been the only one, so I passed.

In Preston, located in southeast Jackson County, I lunched at the Hometown Café. Again, a friendly place with great food and service,



Sisters Inn in Bancroft, IA. Courtesy of www.sistersinn.net



The Firehouse Brewery and Restaurant in Remsen, IA.
Courtesy of beerme.com

and based on the crowd, a great place to eat. This time I had the daily special of roasted pork, mashed potatoes and gravy, corn, and one of the best pieces of blueberry pie I've ever had. Be sure you're hungry, because I received two thick, tender pieces of pork loin that covered more than half my plate.

A couple of repeat stops that deserve mentioning are the Gasthaus in Cherokee, Prime Time in Guthrie Center, and the Apple Basket in Montezuma. All have great food, great service and plenty to eat.

Yes, the summer has been one that we'll not soon forget. It's also been quite a year for the Iowa Schools Joint Investment Trust (ISJIT). The fiscal year ending June 30th saw record balances, with the daily fund reaching \$544,341,042 in May and almost \$250,000,000 invested in the ISJIT fixed term program. We also added several enhancements to the ISJIT program, including checkingwriting, electronic bill payment, ACH payroll, Sweep program and remote deposit capture.

PaySchools continues to expand throughout Iowa, with almost half of Iowa schools signing up for the online payment system. In August, Payschools was used by many Iowa schools for registration, which had cause to increase the number of servers and now puts us in a position to better serve the schools as PaySchools continues to grow.

If your school is interested in PaySchools or you would like to hear more about the enhancements made to the ISJIT program, please call me directly at 1-800-269-2363 or send me an e-mail at pkruise@ia-sb.org.

I look forward to seeing many of you at the upcoming IASB Annual Conference this month. Until then, I will continue Kruse'n Down the Highway. ♦

NEW MEMBER OF THE ISJIT TEAM



Lindsey Huber

ISJIT is pleased to welcome a new face to the administration team. Lindsey Huber has eight years of banking experience, including a year of experience with Public Funds administration. Lindsey's knowledge of the ISJIT program continues to expand, and she looks forward to serving our participants' cash management needs. Lindsey can be reached toll-free at 1-800-872-0140, option 1.

ISJIT would like to thank Jaime Allpress for her many years of commitment to the ISJIT program. Jaime has decided to entertain a new career opportunity with a local web designing company. ISJIT wishes her luck in her new career endeavor!

PAUL'S PICKS

- Leon - Pillars Steak House
- Bancroft - Kettle Café
- Bancroft - Sisters Inn
- Guthrie Center - Prime Time
- Remsen - Remsen Café
- Red Oak - Firehouse Brewery and Restaurant
- Preston - Hometown Café
- Cherokee - Gasthaus Bar & Grille
- Montezuma - Apple Basket