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Jonathan Barry, *Executive Secretary*

## AGENDA

January 19, 2016

2:00 P.M.

Board of Commissioners of Public Lands  
101 E. Wilson Street, 2<sup>nd</sup> Floor  
Madison, Wisconsin

### Routine Business:

- 1) Call to Order
- 2) Approve Minutes – January 5, 2016 (Attachment)
- 3) Approve Loans (Attachment)

### Old Business:

None

### New Business:

- 4) Discuss and Vote on Staff Attending Fixed Income Conference in Chicago (Attachment)
- 5) Discuss Quarterly Investment Report (Attachment)

### Routine Business:

- 6) Future Agenda Items
- 7) Executive Secretary's Report (Attachment)
- 8) Adjourn

### AUDIO ACCESS INFORMATION

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**BOARD MEETING  
JANUARY 19, 2016**

**AGENDA ITEM 2  
APPROVE MINUTES**

Attached for approval are the minutes from the January 5, 2016, board meeting.

Board Meeting Minutes  
January 5, 2016

Present via teleconference were:

- Doug La Follette, Commissioner
- Matt Adamczyk, Commissioner
- Brad Schimel, Board Chair
- Jonathan Barry, Executive Secretary
- Tom German, Deputy Secretary
- Vicki Halverson, Office Manager
- Richard Sneider, Loan Analyst
- Mike Krueger, IT Specialist
- Randy Bixby, Land Records Archivist
- Denise Nechvatal, Accountant

- Secretary of State
- State Treasurer
- Attorney General
- Board of Commissioners of Public Lands
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**ITEM 1. CALL TO ORDER**

Board Chair Schimel called the meeting to order at 2:11 p.m.

**ITEM 2. APPROVE MINUTES – DECEMBER 15, 2015**

**MOTION:** Board Chair Schimel moved to approve the minutes; Commissioner Adamczyk seconded the motion.

**DISCUSSION:** None.

**VOTE:** The motion passed 3-0.

**ITEM 3. APPROVE LOANS**

Board Chair Schimel asked if the loans had been reviewed for public purpose. Deputy Secretary German confirmed they had.

Municipality	Municipal Type	Loan Type	Loan Amount
1. Bloomfield Walworth County Application #: 02016113 Purpose: Purchase police vehicles	Village Rate: 3.00% Term: 3 years	General Obligation	\$86,000.00
2. Bloomfield Walworth County Application #: 02016114 Purpose: Finance operations	Village Rate: 2.50% Term: 2 years	General Obligation	\$40,000.00
3. Middleton Dane County Application #: 02016115 Purpose: Finance Meadow Ridge housing project	City Rate: 3.75% Term: 19 years	General Obligation	\$2,100,000.00

4.	Trout Lake District Juneau County Application #: 02016116 Purpose: Finance dam engineering study	Lake District Rate: 2.50% Term: 2 years	General Obligation	\$12,000.00
<b>TOTAL</b>				<b>\$2,238,000.00</b>

**MOTION:** Board Chair Schimel moved to approve the loans; Commissioner La Follette seconded the motion.

**DISCUSSION:** Commissioner Adamczyk expressed concern that the \$2 million, 20-year loan earning 3.75% may not be the best long-term investment for the Board.

**VOTE:** The motion passed 2-1. Commissioner La Follette and Board Chair Schimel voted aye; Commissioner Adamczyk voted no.

**ITEM 4. DISCUSS AND VOTE ON WSLCA SPRING CONFERENCE ATTENDANCE**

Staff recommended skipping the WSLCA spring conference but sending a bigger team to the summer conference. Board Chair Schimel and Commissioner La Follette agreed with that recommendation.

**ITEM 5. DISCUSS 2016 PROJECTED EARNINGS DISTRIBUTION FOR COMMON SCHOOL FUND**

Deputy Secretary German reported that staff is projecting \$37.7 million in earnings distribution for 2016, a 6.2% increase over the previous year. He explained that the earnings are forwarded to the WI Department of Public Instruction for distribution to public school libraries. Executive Secretary Barry said he would contact State Superintendent Tony Evers and inform him of the amount. Board Chair Schimel and Commissioner La Follette commended staff on the accomplishment.

**ITEM 6. DISCUSS AND APPROVE PROPOSED ASSIGNMENT OF SUBMERGED LANDS LEASE BY APPLETON PAPERS**

Deputy Secretary German explained that the submerged lands lease has been in effect since 1971 and renegotiated and extended over the years. The proposed assignment would make the current riparian owner the lessee. The lease is for the purpose of improving navigation.

**MOTION:** Commissioner La Follette moved to approve and consent to the assignment of the lease; Board Chair Schimel seconded the motion.

**DISCUSSION:** Commissioner Adamczyk thought that submerged lands leases should be overseen by the WI DNR. Deputy Secretary German explained that the DNR conducts a regulatory review to determine if the proposed changes by the lessee to the riverbed are consistent with the public interest in the navigable waters. If the DNR makes such a finding, the Board may then consider and approve a lease. Executive Secretary Barry added that the leases generate a small amount of revenue.

**VOTE:** The motion passed 3-0.

**NOW, THEREFORE BE IT RESOLVED,** that the Board of Commissioners of Public Lands approves and consents to the assignment of the lessee's interest in Submerged Lands Lease #139 from Appvion, Inc. to Appleton Coated, LLC in accordance with Section 24.39 of the Wisconsin Statutes on such other terms and conditions as the Executive Secretary determines to be reasonable and necessary. The Executive Secretary is authorized and directed to execute any documents reasonably necessary to complete such transaction.

## **ITEM 7. FUTURE AGENDA ITEMS**

None.

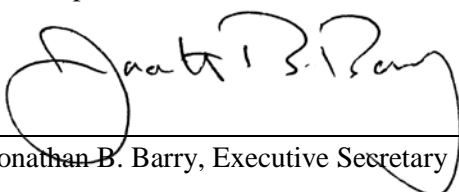
## **ITEM 8. EXECUTIVE SECRETARY'S REPORT**

Executive Secretary Barry reported that the Mud Lake meeting was scheduled for Friday, January 8, and included a representative group of timberland managers from northern Wisconsin.

Deputy Secretary German reported that 10-year Treasury bonds saw a slight increase in basis points from 2.22% to 2.23%.

## **ITEM 9. ADJOURN**

The meeting adjourned at approximately 2:26 p.m.



Jonathan B. Barry, Executive Secretary

These minutes have been prepared from a recording of the meeting. The summaries have not been transcribed verbatim.  
Link to audio recording: [ftp://doaftp1380.wi.gov/doadocs/BCPL/2016-01-05\\_BCPL-BoardMtgRecording.mp3](ftp://doaftp1380.wi.gov/doadocs/BCPL/2016-01-05_BCPL-BoardMtgRecording.mp3)

**BOARD MEETING  
JANUARY 19, 2016**

**AGENDA ITEM 3  
APPROVE LOANS**

Municipality	Municipal Type	Loan Type	Loan Amount
1. Algoma Kewaunee County Application #: 02016119 Purpose: Renovate long-term care facility	City Rate: 3.75% Term: 5 years	Lease Revenue	\$335,764.00
2. Marshfield Marathon and Wood Counties Application #: 02016117 Purpose: Finance fairground land purchase	City Rate: 3.75% Term: 20 years	General Obligation	\$173,500.00
3. Marshfield Marathon and Wood Counties Application #: 02016118 Purpose: Finance TID #5 economic development program	City Rate: 3.75% Term: 14 years	General Obligation	\$405,000.00
4. New Glarus Green County Application #: 02016121 Purpose: Finance economic development project	Village Rate: 3.75% Term: 20 years	General Obligation	\$450,000.00
5. West Milwaukee Milwaukee County Application #: 02016120 Purpose: Finance TID #2 development incentive	Village Rate: 3.00% Term: 4 years	General Obligation	\$1,010,000.00
<b>TOTAL</b>			<b>\$2,374,264.00</b>

**BOARD MEETING  
JANUARY 19, 2016**

**AGENDA ITEM 4  
DISCUSS AND VOTE ON STAF ATTENDING FIXED  
INCOME CONFERENCE IN CHICAGO**

A list of estimated expenses for staff to attend this conference is detailed below:

P&I Investment Conference February 8 & 9, 2016 Chicago, IL Jonathan Barry, Tom German & Rich Sneider	
<b>Transportation</b>	<b>Estimated Costs</b>
* Vehicle mileage - Madison to Milwaukee	\$60.00
* Train - Milwaukee to Chicago	\$150.00
* Parking - Mitchell Field, Milwaukee	\$12.00
* Taxis / shuttles	\$60.00
<b>Registration</b>	<b>No charge</b>
<b>Lodging</b>	
* Monday - 2/8	\$276.00
<b>Meals</b>	
* Monday - D	\$75.00
* Tuesday - D	\$60.00
<b>TOTAL ESTIMATED COSTS</b>	<b>\$693.00</b>

**BOARD MEETING  
JANUARY 19, 2016****AGENDA ITEM 5  
DISCUSS QUARTERLY INVESTMENT REPORT****BCPL Trust Fund Investment Management  
Investment Report - Fourth Quarter 2015****Executive Summary**

BCPL investment performance continues to surpass benchmark returns. For the fourth quarter of 2015, interest earnings exceeded the benchmark by \$2.16 million. In addition to these interest earnings, BCPL realized \$1.2 million in bond trading profits by taking advantage of market conditions during October.

An analysis comparing the yields generated by the BCPL loan portfolio to corporate bonds indicates that the Trust Fund Loan Program generates significant excess returns. The average spread over a similar maturity Treasury issue is currently 2.25% for the loan program, while a corporate bond of comparable risk has a current spread of only 0.85%. The ability to generate this level of excess return is rare in the efficient capital markets of today and provides a substantial advantage to BCPL and trust fund beneficiaries. Staff believes that the Trust Fund Loan Program provides the best available alternative for allocations to fixed income investments and continued investment through this program is strongly recommended.

**Q4 Investment Highlights and Outlook**

Interest rate markets remained volatile and trended slightly higher during the fourth quarter, following the increase in the federal funds rate mid-December. However, disruptions in energy and other commodity markets have eliminated most concerns regarding inflation in the near future, and Treasury securities continue to provide a safe haven for institutional investors worldwide. Concerns regarding the slowing of global economic activity provide additional downward pressure on market interest rates, which remain within a small trading range slightly above historic lows.

Demand within the BCPL State Trust Fund Loan Program has declined from the high levels experienced early in the third quarter, and cash available for investment is expected to increase to nearly \$175 million following the receipt of annual loan principal and interest payments in March 2016. Declines in equity and other asset markets over the past year provide BCPL with an opportunity to diversify our investments into lower priced assets utilizing the recently adopted Prudent Investor Standard.

**Development of Investment Policies**

The development of a new investment policy providing for investment outside the current bond and loan portfolios should provide the opportunity to reduce current cash levels, diversify the trust fund portfolios, and increase long-term expected returns at a lower overall risk. With a new Executive Secretary in place, staff is now able to proceed on developing recommendations to the board regarding the objectives/constraints and investment policies for each trust fund, the framework for making future investment decisions, model asset allocations, and other necessary investment policies. SWIB has agreed to provide assistance in this project, and staff believes that draft policies should be available within the next 90 days.



## Analysis of Trust Fund Loan Program Yields

The BCPL Trust Fund Loan program remains the best available combination of risk and return for fixed-income allocations of BCPL-managed funds. The advantage of the loan program to the BCPL investment portfolio is best shown by looking at the yield generated by the loan portfolio compared to similar fixed income alternatives. The following table provides data that compares the average spread currently produced by the loan portfolio (spread is the difference between the yield on a loan or bond and the yield on a treasury security of similar maturity). The spread generated by the loan program is then compared to the spreads currently available on corporate bonds of various credit ratings. As can be seen in the chart, the spread above Treasuries increases with lower credit ratings as compensation to investors for the added default risk associated with lower rated debts. This data is current as of January 12, 2016.

Average Maturity Date of Loan Portfolio:	8/17/21
Weighted Average Loan Interest Rate:	3.90%
8/15/21 Treasury Yield:	- 1.65%
<b>BCPL Average Spread</b>	<b>= 2.25%</b> (credit rating assumed at Aa1 – see below)
Corporate Aaa Spread*	0.76%
Corporate Aa Spread	0.97%
Corporate A Spread	1.28%
Corporate Baa Spread	2.48%
Corporate Ba Spread	4.53%
Corporate B Spread	7.53%

\*Corporate spreads from Federal Reserve Bank of St. Louis economic data.

Note: The Aa1 rating presumed for the loan portfolio is considered reasonable, as there has not been a single default in the State Trust Fund loan program since inception in 1871, and BCPL has the statutory right and requirement to cure any future default by intercepting state aid otherwise due the borrower. The global long-term rating scale of Moodys Investor Services begins at 'Aaa' for obligations judged to be of the highest quality, subject to the lowest level of risk. The ranking in order from highest to lowest quality then includes: Aa, A, Baa, Ba, B, Caa, Ca, and C. Ratings from Aa to Caa are modified with 1,2, or 3 to provide a high, middle and low ranking within each alphabetic category. 'Investment-grade' securities have ratings of Baa3 or higher.

If the loan portfolio were a corporate bond rated Aa1 (see Chart Note), it would be expected to have a spread slightly higher than the corporate Aaa spread, or approximately 0.85%. This spread above Treasuries would provide an expected portfolio yield of 2.50% (add the treasury yield of 1.65% to the expected spread of 0.85%). However, the loan program generates an average spread of 2.25% and produces a portfolio yield of 3.90%, significantly higher levels than other investors might be able to achieve from assets with similar risk profiles.

The ability to generate this level of excess return is highly unusual in the modern and relatively efficient capital markets of today, and provides a great advantage to BCPL beneficiaries. One analogy would be the ability to purchase common stocks at a significant discount to market value. This common stock analogy is applicable because just as the dividend yield on common stocks increases with a lower stock price, a lower price on a loan or bond will also provide an increase in the yield.

An informed investor would take advantage of discounted common stock at each and every opportunity.

Even though continued investments in the same discounted asset might create an allocation that is temporarily over-weighted, the investor always has the option to sell those discounted assets at full market value for a profit.

This is the same advantage provided to BCPL and Trust Fund beneficiaries by the loan program. BCPL is able to invest in assets (Trust Fund loans) at a discount to market value (because the yield is higher than expected for the level of risk), and retains the ability to sell those assets for a profit. If the total of outstanding loans ever exceeded future target allocations, BCPL would have the ability to sell loans in the secondary market at a profit.

### **Summary and Benchmark Comparison**

The overall expected yield of funds managed by BCPL was 3.43% at the end of fourth quarter. This expected yield was comprised of the bond portfolio earning 4.14%, the loan portfolio earning 3.90%, and cash at a combined 0.213%.

The sale of lower yielding bonds during the quarter had the effect of increasing the average yield on bond investments to 4.14%. However, the average interest rate on loans declined slightly to 3.90% due to the continuation of historically low yields across the interest rate markets. Downward pressure on loan yields will continue as higher rate loans are paid down and replaced with new loans at the current lower rates.

Trust Fund investments continue to generate much better yields than the benchmark portfolio. During the fourth quarter of 2015, BCPL outperformed our benchmark by 0.85% after adjusting returns to account for differences in both credit quality and portfolio maturity. Excess returns total \$2.16 million greater than would have been earned by investing in the benchmark portfolio during the third quarter. In addition, trading profits of nearly \$1.2 million were realized during the fourth quarter.

Attachment – BCPL Investment Summary 4th Quarter 2015

## BCPL Investment Summary

### 4th Quarter 2015

as of December 31, 2015

Portfolio Summary	Total Assets	Expected Yield <sup>1</sup>	SEC Yield <sup>2</sup>	Average Credit Quality <sup>3</sup>	Weighted Avg Maturity
Total BCPL Managed Financial Assets	\$1,015,199,247	3.43%	3.38%	Aa1	9.17
Benchmark Performance <sup>4</sup>			3.04%	A1	8.94

BCPL Components	% of Total BCPL Managed Assets							
State/Municipal and Farm Credit Bonds								
Common School Fund Bonds		\$425,261,392	4.14%	4.01%	Aa2	15.91		
Normal School Fund Bonds		\$12,520,446	4.08%	3.92%	Aa3	15.33		
Agricultural College Fund Bonds		\$134,985	3.79%	4.13%	Aa3	14.14		
University Fund Bonds		\$31,312	4.11%	4.26%	Aa2	14.82		
Total BCPL Bond Portfolio	43.14%	\$437,948,136	4.14%	4.01%	Aa2	15.89		
Other Financial Assets								
BCPL State Trust Fund Loans	41.37%	\$419,979,621	3.90%	3.90%	Aa1	5.60		
Cash - ADM (FDIC Insured)	3.94%	\$40,000,000	0.25%	0.25%	Aaa	0.00		
Cash - State Investment Fund <sup>5</sup>	11.55%	\$117,271,490	0.20%	0.20%	Aaa	0.00		
Total BCPL Loans and SIF	56.86%	\$577,251,111	2.90%	2.90%	Aa1	4.07		
<b>Benchmark Components</b>	Weighting							
S&P Long Intermediate Term Taxable Municipal Bond Index <sup>6</sup>	60.00%		3.57%	3.97%	Aa2	10.14		
S&P U.S. Treasury Bill Index <sup>7</sup>	10.00%		0.21%	0.17%	Aaa	0.22		
Wisconsin Tax-Exempt Bond Mutual Funds (combined) <sup>8</sup>	30.00%	\$363,400,001	N/A	2.13%	Baa2	9.44		

Important Notes on Following Page

Prepared by Richard Sneider

**Notes to BCP L Benchmark Comparison:**

<sup>1</sup> **Expected Yield** is the weighted average yield to the redemption date for each bond, and assumes that issuers will redeem bonds at the earliest possible date, when it is in their best interest given current market interest rates. Also called 'yield-to-worst', this number is equal to the lower of the 'yield to call' and 'yield to maturity' for each bond in the portfolio.

<sup>2</sup> **SEC Yield** - The SEC yield should not be confused with the expected yield on invested funds. The SEC yield will vary substantially with market conditions because it is calculated using the current market value of assets, and the value of fixed income assets fluctuates with market interest rates. For example, although interest payments produced by an individual bond remain constant following the issuance of the bond, the SEC yield on this bond will increase with market interest rates solely because the value of the bond decreases (yield = income/value). If all bonds are held to maturity, the actual return to the investor would equal the "yield to maturity at cost". This calculation is not provided for benchmark components and is therefore not included in this comparison. Many investors prefer to use "yield to worst", which calculates the return using the lower of the "yield to call" and "yield to maturity". The most appropriate method to compare bond portfolios is to look at Total Return, which combines both income and changes in the market value of the underlying assets (see note 8 below). BCP L does not have the ability to use Total Return as a method of comparison because the Trust Fund Loan Portfolio has never been valued. Rather, the SEC Yield is used for comparison because it is a standardized methodology for calculating yield as required by the Securities and Exchange Commission for all mutual funds and provides a means to compare BCP L managed funds to a simple benchmark. The SEC yield is a close approximation to the net yield to maturity of the fund using the current market value of the fund, and is calculated as the yield to the investor (after fund expenses and fees) during the previous 30 days assuming all bonds are held to maturity. The SEC Yield for the State Investment Fund is for the most recent month available.

<sup>3</sup> **Average Credit Quality** - Except for the BCP L loan portfolio, all average credit quality ratings shown equal the weighted average credit rating of individual securities held within each portfolio. A rating for the loan portfolio is provided to improve the ability to compare BCP L managed funds to other funds. The Aa1 rating presumed for the loan portfolio is considered reasonable, as there has not been a single default in the State Trust Fund loan program since inception in 1871, and BCP L has the statutory right and requirement to cure any future default by intercepting state aid otherwise due to the borrower. Mutual Fund credit quality is provided by Morningstar. The global long-term rating scale of Moody's Investor Services begins at 'Aaa' for obligations judged to be of the highest quality, subject to the lowest level of risk. The ranking in order from highest to lowest quality then includes: Aa, A, Baa, Ba, B, Caa, Ca, and C. Ratings from Aa to Caa are modified with 1, 2, or 3 to provide a high, middle and low ranking within each alphabetic category. 'Investment-grade' securities have ratings of Baa3 or higher.

<sup>4</sup> **Benchmark Components and Weighting** - Due to the unique set of BCP L authorized investments consisting primarily of the BCP L State Trust Fund Loan Program, and bonds issued by the State of Wisconsin and Wisconsin municipalities and school districts, there are no managed funds that perfectly match the characteristics of the BCP L portfolio. However, the chosen benchmark components provide the best opportunity to compare BCP L investments to funds managed by other professionals. The justifications of including individual benchmark components are provided below. Component weighting begins with an estimate of average liquidity levels required throughout the year, with additional factors including an estimate of the proportion between taxable and tax-exempt project funding, and the use of current taxable and tax-exempt bond yields in developing program interest rates.

<sup>5</sup> **State Investment Fund** - When looking at investments made within the State Investment Fund, there will be a weighted average maturity and duration greater than that indicated on the previous page. However, because our deposits within the State Investment Fund are available for immediately withdrawal, the use of 0.00 for both average maturity and duration in portfolio calculations is appropriate.

<sup>6</sup> **S&P Long Intermediate Term Taxable Municipal Bond Index** - This taxable municipal bond index is included as a benchmark component because it properly reflects the investment strategies of BCP L managed Trust Funds, including both the direct investment in taxable municipal bonds and the influence of taxable bond yields on the development of loan program interest rates. The S&P Long Intermediate Term Taxable Municipal Bond Index matches the weighted average maturity and duration of total BCP L managed funds fairly well, although BCP L maintains better average credit quality. This index is comprised of all taxable bonds issued by any state (including the Commonwealth of Puerto Rico and U.S. territories such as the U.S. Virgin Islands and Guam) with an investment grade rating (minimum S&P BBB- or Moody's Baa3), a minimum par amount of \$1 million, and remaining maturity between 5 and 15 years. Average credit quality level is not published by S&P, but was calculated at the weighted average rating of amounts held within the separate S&P AAA, AA, A, and BBB Rated Taxable Municipal Bond indices using a formula developed by Schwab Portfolio Center, the portfolio analysis software used by BCP L. Overall, a weighting of 60% is appropriate given the average levels of cash and tax-exempt investments held by the Trust Funds throughout the year.

<sup>7</sup> **S&P U.S. Treasury Bill Index** - The U.S. Treasury Bill index represents the average cash position held by the Trust Funds throughout the year, and is included because BCP L maintains significant levels of liquidity needed to fund expected trust fund loan demand over the next 3-6 months. The amount of portfolio liquidity (cash) varies significantly throughout the year, and is impacted by factors including the interest rate environment, the absence of prepayment penalties within the loan program, and the statutory payment structure requiring annual loan payments on March 15 each year. The S&P U.S. Treasury Bill index is a market weighted index that includes all U.S. Treasury Bills with maturities ranging from 0-12 months. Because an index is not a managed portfolio, but only a collection of securities within a specific set of criteria, management expenses are not included. Overall, a weighting of 10% for this benchmark component is appropriate given the average levels of cash held by the Trust Funds throughout the year.

<sup>8</sup> **Wisconsin Tax-Exempt Bond Funds** - Tax-exempt bond funds are included as a benchmark component for three reasons: BCP L invests directly in tax-exempt bonds when available at acceptable terms; a significant portion of loans made through the BCP L State Trust Fund Loan Program fund projects that would qualify as tax-exempt; and current tax-exempt bond yields are an important factor in the construction of loan program interest rates. There are three bond mutual funds that invest primarily in Wisconsin State and Municipal Bonds, investments that are similar to the securities approved for BCP L investment. These funds are sponsored by Wells Fargo, Nuveen and Nationwide Ziegler, and there are significant differences between the management of these mutual funds and BCP L trust funds. All three mutual funds are limited to tax-exempt investments, a universe of securities that generally provide lower yields than the taxable instruments favored by BCP L. On the other hand, all three of these funds invest substantial amounts in bonds that have considerable default risk including bonds issued by the Commonwealth of Puerto Rico, community development revenue bonds, hospital revenue bonds, and other bonds types not available within the risk parameters of the BCP L investment authority. Overall, a weighting of 30% for this benchmark component is appropriate given the level of Trust Fund investment in tax-exempt instruments and the influence of tax-exempt bond rates on the interest rates charged within the loan program.

<sup>9</sup> **Total Return Analysis** - A total return analysis including the periodic change in asset values in addition to earnings would provide a more comprehensive and accurate comparison between the returns generated by BCP L managed funds and our benchmark. However, total return analysis requires accurate asset valuation in order to provide a reasonable basis for measuring management performance. A significant portion of BCP L managed assets are invested in loans to municipalities and school districts through the BCP L State Trust Fund Loan Program. BCP L has never sold a trust fund loan and has always held these investments to maturity. There is currently no formula or model available to determine an accurate market value of the loan portfolio. Should BCP L sell loans in the future and establish a secondary market in BCP L State Trust Fund Loans, total return analysis may provide an improvement over the current method of yield comparison as the model for measuring BCP L investment performance against the appropriate benchmarks.

**BOARD MEETING  
JANUARY 19, 2016**

**AGENDA ITEM 7  
EXECUTIVE SECRETARY'S REPORT**

- Common School Fund Balance Sheet (Attachment)
- Mud Lake Trip Summary



Board of Commissioners of Public Lands  
Common School Fund  
The Balance Sheet has been prepared in accordance with generally accepted accounting principles (GAAP).

Balance Sheet	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
<i>Assets</i>					
Cash and cash equivalents	\$ 151,215,123.50	\$ 142,469,738.98	\$ 178,853,139.56	\$ 223,043,453.74	\$ 154,162,673.63
<i>Receivables:</i>					
Loans to local governments	269,172,865.47	237,868,129.07	225,912,104.43	279,539,395.58	407,008,713.75
Loans to school districts	76,729,935.77	87,458,987.17	87,650,376.26	105,050,471.13	149,861,386.22
Other receivables <sup>a</sup>	4,444,458.58	4,343,977.35	3,364,422.57	2,357,453.75	1,051,016.20
Bond investments <sup>f</sup>	496,411,409.83	509,183,008.56	408,367,402.00	272,334,957.69	126,708,862.35
Due from other governments <sup>b</sup>	4,025,443.84	3,927,357.25	3,865,320.72	5,305,737.70	8,325,800.29
Due from other funds <sup>c</sup>	752,531.21	679,916.09	7,484,523.15	7,970,156.11	776,343.54
Total assets	\$ 1,002,751,768.20	\$ 985,931,114.47	\$ 915,497,288.69	\$ 895,601,625.70	\$ 847,894,795.98
<i>Liabilities and fund balances</i>					
Due to other funds <sup>d</sup>	\$ 1,990,576.69	\$ 1,495,684.70	\$ 1,518,021.88	\$ 1,369,671.87	\$ 1,490,221.80
Due to other governments <sup>e</sup>	13,349,036.40	15,621,427.34	13,349,036.40	13,612,018.36	10,755,827.27
Deposits held in custody (performance <sup>b</sup> )	29,625.88	-	-	-	-
Total liabilities	\$ 15,369,238.97	\$ 17,117,112.04	\$ 14,867,058.28	\$ 14,981,690.23	\$ 12,246,049.07
<b>Total fund balance</b>	<b>\$ 987,382,529.23</b>	<b>\$ 968,814,002.43</b>	<b>\$ 900,630,230.41</b>	<b>\$ 880,619,935.47</b>	<b>\$ 835,648,746.91</b>

- a. Accrued bond interest.
- b. Accrued loan interest
- c. Fine & forfeitures and unclaimed property money collected by other state agencies but not yet remitted to BCPPL. Also, includes loan transactions not yet completed.
- d. Agency operating expenses, beneficiary distributions, and loan transactions not yet completed.
- e. Earnings to be distributed at a later date.
- f. Bond investments have been adjusted to mark to market as of fiscal year end.