
WALWORTH COUNTY, WISCONSIN

QUARTERLY INVESTMENT REPORT

September 30, 2010



**WALWORTH COUNTY FINANCE OFFICE
100 W. WALWORTH STREET
ELKHORN, WI 53121**

<http://www.co.walworth.wi.us/Government%20Center/Finance/Investments/InvestmentHomePage.aspx>

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EXECUTIVE SUMMARY

The County's total investment portfolio shall be defined as all county cash and investments not reserved in a separately maintained account for a specific purpose. Funds are valued in this report at bank statement value as of the date specified. Accounts not included in the total investment portfolio are restricted by a third party.

The key objectives in managing the County's total investment portfolio are to provide safety of principal, to ensure liquidity to meet operating requirements, to generate a market rate of return ("Yield") on the investments, and to manage the portfolio within applicable laws. Cash flow projections match revenues with expenditures to ensure prudent investment principles to enable the County to soundly meet its financial obligations. The Investment Portfolio shall be structured in relation to prevailing budgetary and economic environments, taking into account the County's investment risk constraints and cash flow characteristics.

- Walworth County's investment portfolio is currently in compliance with Wisconsin statutes, the Walworth County Code of Ordinances and the County's Administrative Procedures Manual.
- Walworth County's investment portfolio has been maintained to provide safety of investments and cash flow needs. Investments are diversified into different investment vehicles to provide safety. In addition, all securities held are either backed by the U.S. Government or meet minimum ratings set by either Standard and Poor's or Moody's Investor Service.
- The Local Government Investment Pool (LGIP) yields have remained stable, yet still drastically low compared to last year. Rates have been under .30% since September, 2009. The annualized LGIP rate continues to average .22%. Additionally, LGIP is no longer insured against credit loss, so the County has diversified into other safe and liquid vehicles with higher yields.
- By end of third quarter the county was required to lower our balance at Mid-America bank by approximately \$3,000,000. We had anticipated this request and transferred funds and re-invested in various securities and LGIP as needed. Current money market yields at Mid-America and Chase respectively remain at 0.71%, and .30%. The money markets provide a higher yield while providing the County with a liquid investment.
- The unrelenting weakened economy continues to affect the County's budgeted interest income; the 2010 non-departmental budget has been set at \$600,000 which is half the original 2009 budget. We remain on-track to achieve the 2010 non-departmental budget as it is currently set.
- The investment portfolio with M&I Trust remains at \$5 million yielding 1.40% annually (net of fees). The portfolio effective duration at quarter end remains at 1 year, indicating a shorter duration and less sensitivity to changes in interest rates.
- The brokered portfolio held at Pershing continues to grow. At month end the portfolio reached \$25.3 million yielding 1.60% annually which includes nearly \$18.7 million in agency securities, \$5.5 million in municipal debt and \$1 million in U.S. Treasury Securities. The Pershing portfolio effective duration at quarter end is 2.06 years, indicating a longer duration and greater sensitivity to changes in interest rates.

EXECUTIVE SUMMARY (continued)

- Despite the County recently adding two local credit unions to the approved financial institution list, placing certificate of deposit funds remains challenging. With two consecutive months of little to no certificate of deposit bid response, we surveyed our bank and credit union relationships for further insight. We received the following consistent responses:
 1. Banks are currently flooded with liquidity.
 2. Banks are holding onto their liquidity to accommodate higher loan loss reserves due to increased customers unable to pay back loans.
 3. CDARS program is not profitable for banks at this time since rates are so low.
 4. Unable to comply with the County's strict collateral policy.

Nearly \$3 million in certificates are maturing by year end. To maintain a diversified, safe and conservative portfolio, certificates of deposit are a crucial piece of the mix. One option discussed would be expanding the allowable list of financial institutions to offer Certificate of Deposit bids to all Wisconsin banks. This policy change would include several conditions such as: (1) the investments remain under the FDIC/NCUA insurance limits and (2) the bank exhibits modest financial strength per the VERIBANC classification system and "CAMELS" ratings. This topic is open for further discussion with the Finance Committee where action is needed to make a change to the approved list of financial institutions.

INVESTMENT OVERVIEW AND OBJECTIVES

As is mentioned above, the main objectives in managing the County's total investment portfolio are to provide safety of principal, to ensure liquidity to meet operating requirements, to generate a market rate of return ("Yield") on the investments, and to manage the portfolio with applicable laws. The County's total investment portfolio currently has four separate investment portfolios. They are as follows:

LOCAL GOVERNMENT INVESTMENT POOL – The primary objective of the LGIP is to provide for the prudent management of public funds on behalf of the local government investor. The investment strategy of this fund is prioritized as: safety of the principal, liquidity, and the rate of return. The funds in LGIP may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities, and Repurchase Agreements (Repo) secured by the U.S. Government.

CERTIFICATES OF DEPOSIT – Certificates of deposit and other evidences of deposits from county board approved financial institutions which are authorized to transact business in the state, which time deposits mature in not more than three years.

THE CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICES, (CDARS) – Financial institutions can offer CDARS because they are members of a special network. When a large deposit is placed with a network member, that institution uses CDARS to place the funds into certificates of deposit issued by banks in the network. This occurs in increments of less than the standard FDIC insurance maximum to ensure that both principal and interest are eligible for full FDIC insurance.

With the help of a sophisticated matching system, network members exchange funds. This exchange occurs on a dollar-for-dollar basis, so that the equivalent of the original deposit comes back to the respective institution and effectively stays local (meaning the full amount can support lending initiatives that build a stronger local community). The full amount of the original deposit becomes eligible for complete FDIC protection, and the institution receives just one regular statement detailing all your holdings.

U.S. GOVERNMENT/TREASURY SECURITIES – Obligations of the United States of America, its agencies and instrumentalities, provided payment of the principal and interest is fully guaranteed by the issuer.

MUNICIPAL DEBT–instruments of any county, city, drainage district, vocational college, village, town or school district of the State of Wisconsin.

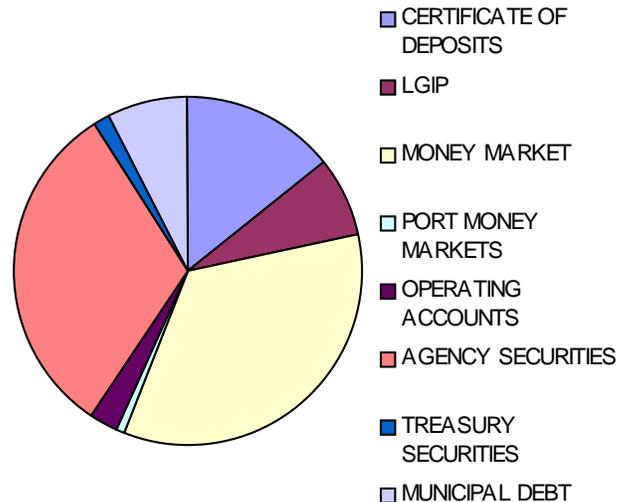
PUBLIC FUNDS MONEY MARKET ACCOUNT – The County has approved by resolution Public Funds money markets that are secured by collateral. These investments are used to provide short-term diversification and increase the current yields.

REQUIREMENTS AND COMPLIANCE

ITEM	DESCRIPTION OF REQUIREMENT	ACTUAL PORTFOLIO
Credit Risk:		
Collateral Policy	Investments other than U.S. Treasury backed securities or investments not under FDIC or WI guarantee shall be collateralized for a minimum of 102-110% of the deposits.	Current financial institutions comply
Security Diversification	No single agency shall hold more than 75% of the total agency securities held.	Current investment holdings comply
Financial Institutions Limits	Investments held at any one institution shall be limited to 50% of the core portfolio, currently \$22,430,000.	All institutions comply
Debt Limits	Government debt held with any one entity shall be limited to \$3 million.	All institutions comply
Liquidity Risk	Liquid cash shall be maintained at \$10 million and available with 1 day notice.	\$28.3 million or 44%
Reinvestment Risk	Callable securities shall not exceed 50% of agency securities held.	\$11.5 million or 39%
Market Risk:		
Maturity Restrictions	Investments greater than 3 months and less than 1 year shall not exceed 95% of portfolio.	\$51 million or 70%
	Investments greater than 1 year and less than 5 years shall not exceed 50% of portfolio.	\$22.1 million or 30%

INVESTMENT CATEGORY	MAXIMUM MATURITY	AUTHORIZED LIMIT	ACTUAL PORTFOLIO
Money Markets	N/A	95%	34%
LGIP	N/A	\$5 million min/75% max	7%
US Treasuries	5 years	75%	1%
Agency Securities	5 years	50%	32%
Municipal Debt	5 years	25%	8%
Certificates of Deposit	3 years	50%	15%
Operating Cash	N/A	N/A	3%

INVESTMENT TYPE	BOOK/MARKET VALUE
Certificates of Deposit	\$10,525,000
Depository Bank	\$1,849,000
LGIP	\$5,272,000
Money Markets	\$25,089,000
Portfolio Money Markets	\$502,000
U.S. Gov. Agency Securities	\$23,317,000
U.S. Treasury Securities	\$1,004,000
Municipal Debt	\$5,586,000
Total	\$73,144,000



BUDGET PERFORMANCE

The first table below shows the actual and budgeted interest earned through the third quarter for 2010 by investment type. The second table below shows the actual and budgeted interest earned through the third quarter 2010 by account. The interest shown is on the county's total cash and investment portfolio. All accounts receive interest income based on the LGIP interest rate or actual interest earned based on investments help by fiscal agents.

INVESTMENT TYPE	INTEREST EARNED	3rd QUARTER BUDGET
Certificate of Deposit	\$ 126,649	\$ 135,000
U.S. Treasury/Govt. Agency	193,586	118,800
Local Gov Inv Pool (LGIP)	30,313	47,066
Depository Bank (Sweep)	3,542	2,700
Money Markets	151,444	180,000
Unrealized Gain/(Loss)	255,620	-
TOTAL PORTFOLIO	\$ 730,841	\$ 483,566

ACCOUNT NAME	INTEREST EARNED	3rd QUARTER BUDGET
Non-Department	\$ 433,040	\$ 453,000
DPW Equipment Reserve	460	225
DPW Buildings Reserve	1,849	750
Children with Disabilities Ed Bd	11,596	-
School Donation Reserve	175	-
Health Insurance	16,642	19,688
Dental Insurance	572	975
Workers Compensation	3,606	3,375
Risk Management	7,281	5,553
SUBTOTAL PORTFOLIO	475,221	483,566
Unrealized Gain/(Loss)	255,620	-
TOTAL PORTFOLIO	\$ 730,841	\$ 483,566
Budget to Actual Variance		\$ 247,275

- The original annual budget is \$600,000 which we are forecasting to meet by year end.
- By diversifying into other investment vehicles, we have been able to increase the County's yields by over three times as much as the LGIP benchmark. If the entire portfolio was invested at the benchmark rate, the forecasted interest for the 2010 third quarter would have approximated \$179,000 or only 26% of the actual interest earned.
- Certificates of Deposits averaged .36% return for the third quarter 2010 with a one-year rolling average of 1.67%. In September LGIP increased from .22% to .23%. This is the first rate increase in LGIP since May 2010.
- Security quarterly yields at cost are .42% for our brokered securities and .25% at M&I Trust.

INVESTMENT BENCHMARKS

Overall Investment Portfolio Benchmark

The county has selected the Local Government Investment Pool rate as the benchmark for achievement for the investment portfolio. The following rates and amounts are based on the daily average one year rolling portfolio balance and rate. This amount does not include unrealized gains or losses or premium adjustments.

Investment Portfolio	Benchmark (LGIP)	Actual
Average rate	0.22%	0.82%
Average daily account balance	\$81,229,000	\$81,229,000
12 month income to date	\$179,000	\$665,000

The results show that the county is currently exceeding expectations in comparison to the benchmark. The county has begun to change its investment strategy and expects interest rates to continue to remain low into the next year. The change in strategy should continue to increase the gap between the benchmark and actual investment returns.

M&I Benchmark

To review the performance of the M&I Short-term Portfolio, the Barclay Government 1-3 year index has been chosen. The investments within the index included US Treasury and Agency securities, which the M&I Short-term Portfolio holdings allow by the County's investment policy. The following shows the comparison of the M&I Short-term Portfolio to the benchmark selected, net of investments. For three quarters consecutively, the portfolio did not exceed the benchmark.

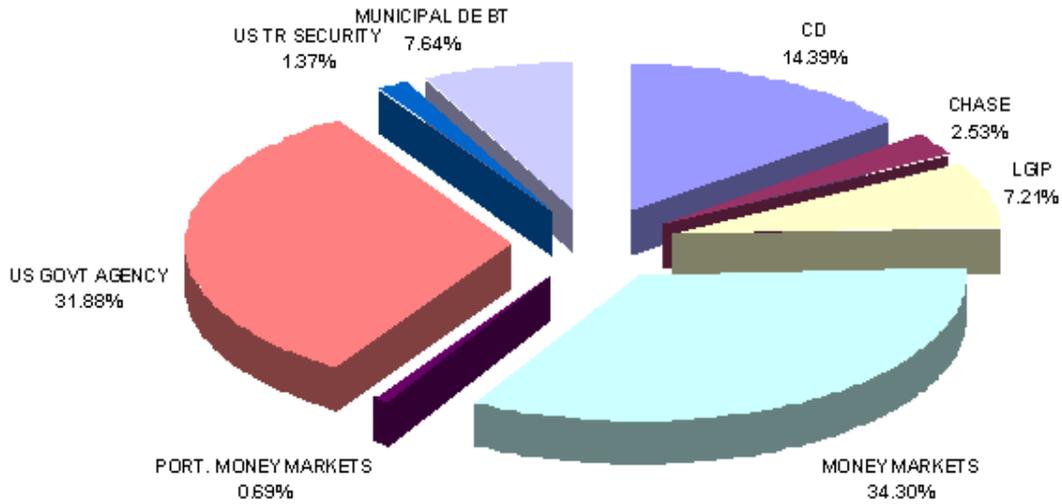
Time Period	Benchmark*	Actual
	Merrill Lynch 1-3YR US TRS	M&I Short-term Portfolio
2009		
4 th Quarter	0.09%	0.20%
2010		
1 st Quarter	0.72%	0.55%
2 nd Quarter	0.45%	0.18%
3 rd Quarter	0.62%	0.25%

Portfolio advisor response to underperformance in relation to benchmark: The portfolio was originally structured primarily into Agency securities which carry higher yields than Treasuries. Normally, this would produce a higher return; however, Treasury securities have seen significant short-term price increases due to fear-related purchases as a result of the situation in Europe earlier this year. We view the Treasury market as overbought at this time and susceptible to some price deterioration as investors move back out of this safe haven holding. This underperformance should, thus, prove temporary. The one year return, at 1.40% net of fees is running well ahead of the 0.22% the LGIP is earning.

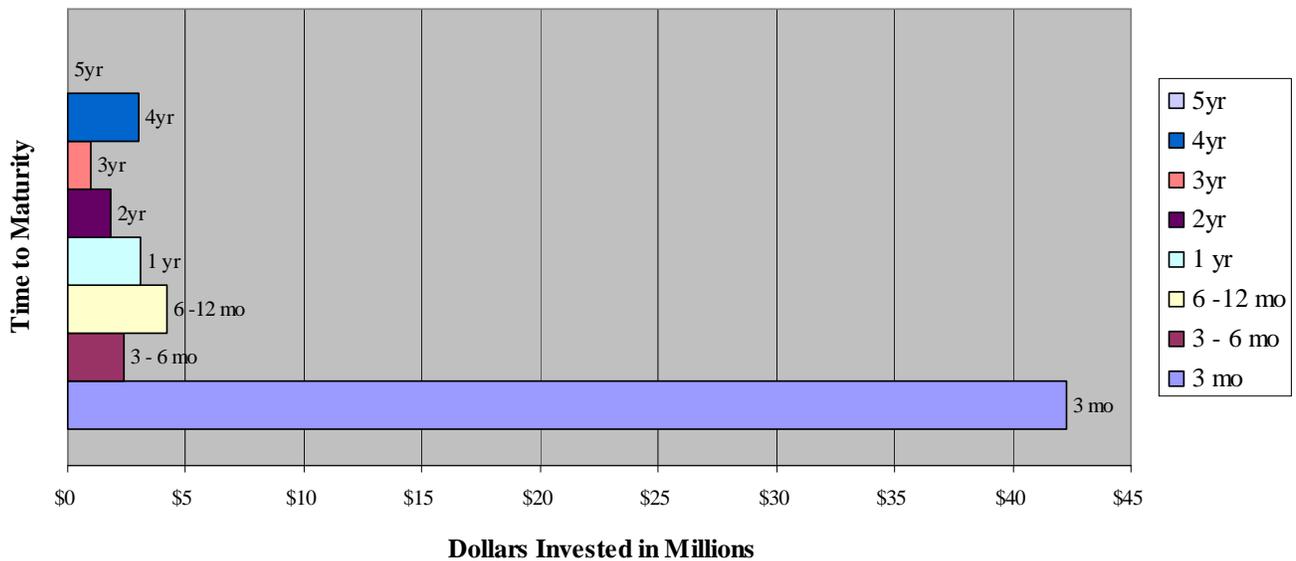
Note: Yields shown include unrealized gains or losses on securities which are usually not sold prior to maturity or estimated life of the security. See the U.S Government Agency/Treasury Securities Overview section on page 14 for actual return on investment.

TOTAL PORTFOLIO OVERVIEW

INVESTMENTS BY TYPE



Total Investments by Maturity



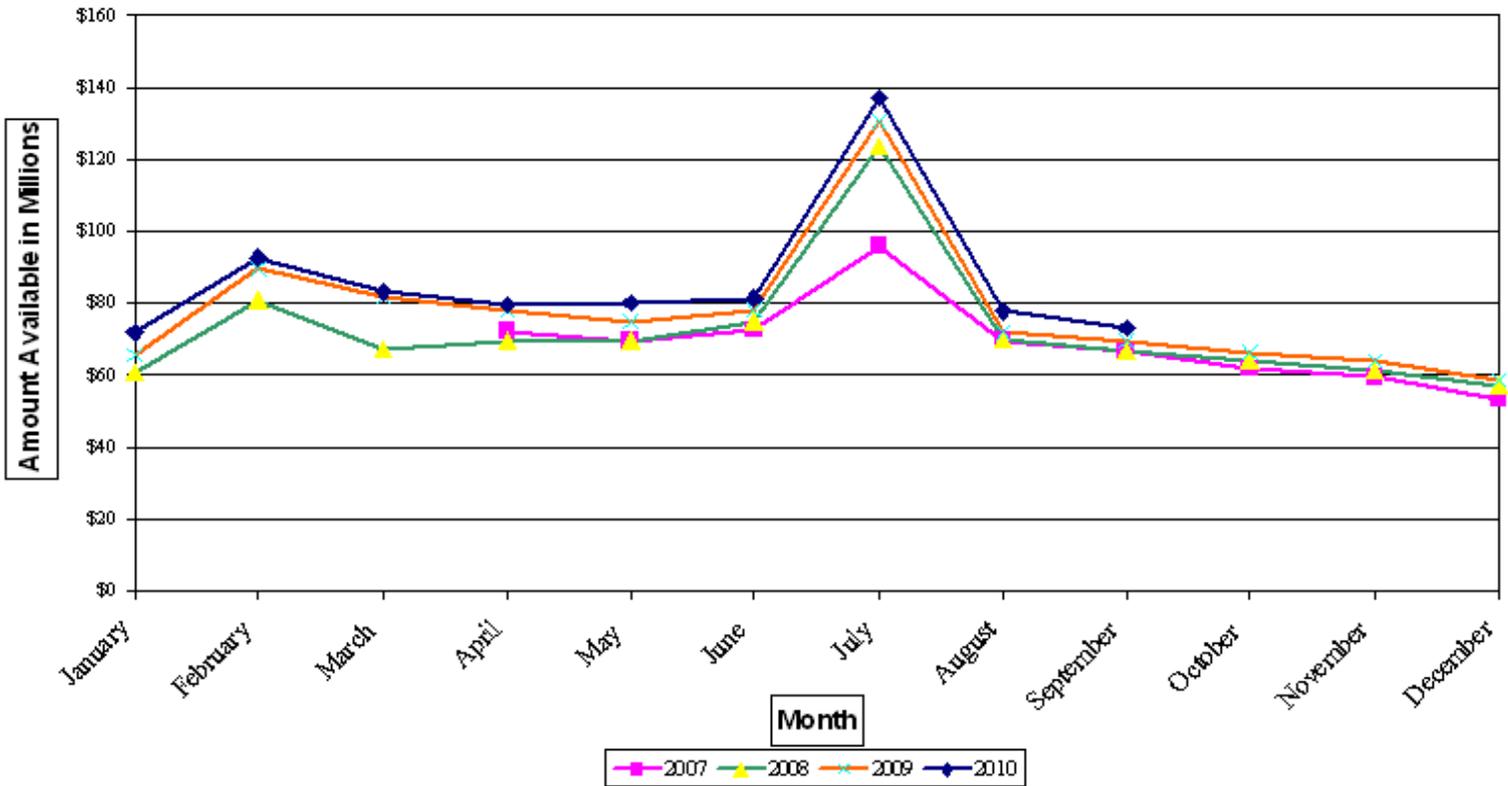
TOTAL PORTFOLIO OVERVIEW – HISTORICAL BALANCES

The following chart shows the historic cash balances with the average cumulative cash balance for the previous three years based on monthly balances.

Average Balance	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Cash	\$70,201,000	\$72,171,000	\$77,439,000	\$86,212,000
Cumulative Cash			\$73,212,000	\$76,000,000

* Excludes Restricted Accounts

Walworth County Cash and Investment Balance



LOCAL GOVERNMENT INVESTMENT POOL (LGIP*) OVERVIEW**Overview of Fund**

The Wisconsin Local Government Investment Pool (LGIP) was created in 1975 to give local governments the opportunity to combine their idle cash to make short-term investments equal to those afforded to state government or large local governments. The LGIP has been designed to consistently maintain the integrity of local funds within a diversified and safe portfolio, provide liquidity, and offer rates of return competitive with comparable investments. The funds from the LGIP are combined with the cash balances of the State of Wisconsin and its agencies, the excess cash of the retirement funds invested by the State of Wisconsin Investment Board (SWIB) and managed as one fund called the State Investment Fund (SIF).

Investment Objectives

The primary objective of the LGIP is to provide for the prudent management of public funds on behalf of the local government investor. The strategy for meeting this objective is to apply the prudent investor standard and insure that the investment of pool assets is prioritized as follows: safety of principal, liquidity, and rate of return.

Liquidity Considerations

The investment portfolio needs to remain liquid to meet the daily operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

Walworth County expends approximately \$10 million per month. In order to keep cash in our checking account low and still pay bills on time, the County has invested largely with the LGIP as it offers same day liquidity.

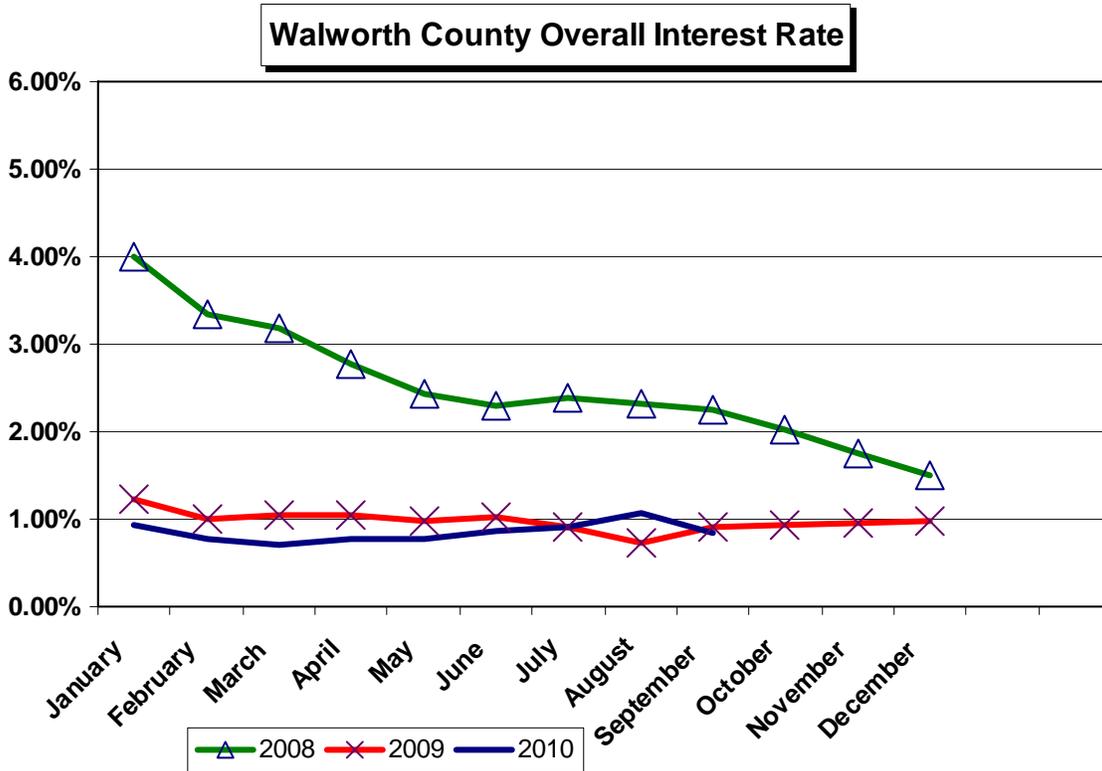
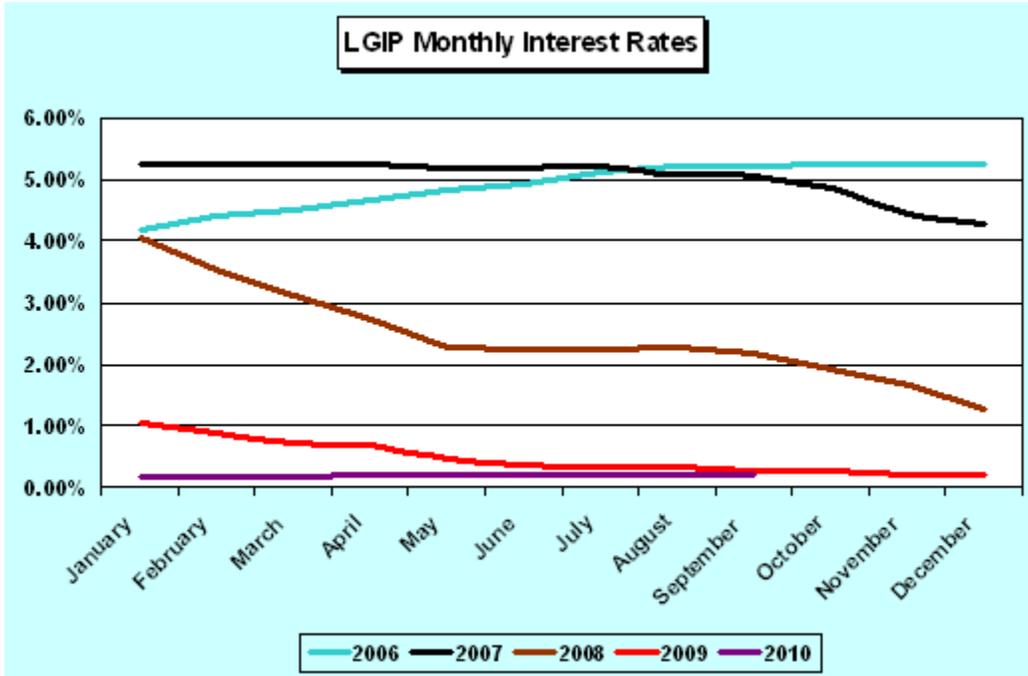
Over the past twelve months, the LGIP balance has averaged \$19 million. The spikes in February and July are the result of the temporary investment of property tax receipts. Most of these receipts are reinvested into securities within a month and no securities were required to be sold short in order to meet cash flow requirements.

Other Considerations

During the past year the investment yield of the LGIP has dropped significantly, similar to most major market returns. This coupled with commercial paper and certificate of deposits no longer being insured, resulted in the county looking at other investment vehicles, in order to diversify the portfolio.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP*) OVERVIEW (Continued)

• LGIP data provided from the Office of the State Treasurer



CERTIFICATES OF DEPOSIT OVERVIEW

CERTIFICATES OF DEPOSIT are short or medium-term, interest-bearing, FDIC-insured debt instrument offered by banks and savings and loans. CDs offer higher rates of return than most comparable investments, in exchange for tying up invested money for the duration of the certificate's maturity. Money removed before maturity is subject to a penalty. CDs are low risk, low return investments, and are also known as "time deposits", because the account holder has agreed to keep the money in the account for a specified amount of time, anywhere from three months to three years.

Due to the decreased yield with the LGIP, the County has been going out to bid with approved banks on at least a monthly basis in an attempt to increase return during this volatile time. This has increased our return dramatically on these dollars without affecting our ability to be liquid to meet operating needs.

<u>Financial Institution</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Rate %</u>
Community Bank Delavan	10/15/2009	10/14/2010	500,000	1.30%
Commercial Bank	11/6/2009	11/6/2010	225,000	1.32%
Citizens Bank	5/11/2010	11/10/2010	2,000,000	0.45%
Citizens Bank of Mukwonago	1/8/2010	1/8/2011	225,000	1.85%
Citizens Bank of Mukwonago	2/6/2010	2/6/2011	225,000	1.20%
First Citizens State Bank	5/11/2010	5/10/2011	225,000	1.30%
Walworth State Bank	5/11/2010	5/10/2011	225,000	0.61%
First Banking Center	6/8/2010	6/8/2011	225,000	1.45%
First Citizens State Bank	6/23/2010	10/23/2011	225,000	1.60%
Mid America Bank	11/12/2009	11/12/2011	1,000,000	1.87%
Citizens Bank	12/7/2009	12/7/2011	225,000	2.00%
Mid America Bank	5/13/2010	5/12/2012	1,000,000	1.45%
M & I Bank	6/8/2009	6/8/2012	1,000,000	2.66%
Citizens Bank	6/30/2010	6/30/2012	1,500,000	1.25%
Community Bank Delavan	8/10/2010	8/10/2012	500,000	1.55%
Mid America Bank	2/18/2010	2/14/2013	1,000,000	2.17%
Southern Lakes Credit Union	6/3/2010	12/3/2013	225,000	2.15%
<i>One year rolling average</i>			10,525,000	1.67%

The county has had recent issues in obtaining certificate of deposit bids due to economic factors and lack of interest by our current approved financial institutions. Other options to allow additions to the list of allowable financial institutions may need to be considered in order to receive competitive bids and continue to purchase new certificates of deposit.

SECURITIES/DEBT PORTFOLIO OVERVIEW

U.S. Treasury Securities – such as bills, notes and bonds are debt obligations of the U.S. government. When you buy a treasury security, you are lending money to the federal government for a specific period of time. Because these debt obligations are backed by the “full faith and credit” of the government, they are considered the safest of all investments. The primary advantage of the Treasury securities is safety; however, in addition Treasuries generally do not have a “call” provision.

U.S. Government Agency Securities are debt obligations issued by federal agencies or federally sponsored agencies. Federal agencies are direct arms of the U.S. government; federally sponsored agencies are privately owned and publicly chartered organizations which were created by acts of Congress to support a specific public purpose.

Government Debt Instruments of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin, if the bond or security is rated in one of the two highest rating categories assigned by Standard and Poor’s Corporation, Moody’s Investors Service, Inc., or other similar nationally recognized rating agency.

Currently the County has agency securities with M&I Trust and agency, treasury, and debt instruments with Pershing. Please see Appendix B and C for individual holding details.

PORTFOLIO SUMMARY

Institution	Cost	Market Value	Unrealized Gain/(Loss)	Quarterly Yield	Rolling 1 Year Yield
M&I Portfolio	\$ 4,546,692	\$ 4,575,695	\$ 29,003	0.25%	1.40%
Pershing Portfolio	\$25,125,646	\$25,337,209	\$211,563	0.42%	1.60%
Total Securities	\$29,672,338	\$29,912,904	\$240,566		

General Investment Portfolio Information

Further research and potential ordinance changes may be required to allow for additional investment types as well as safeguards on funds managed by non-county investment managers. Additional investment managers will also be researched to allow for diversification of fund management.

M& I Trust Short Term Investment Portfolio

This portfolio was established on July 29, 2009, within the current ordinance guidelines with the purchase of agency and treasury securities at an average of 1 to 3 years maturity. M&I Trust, separate from M&I Bank, does not charge commission fees per trade transaction. The cost is 20 basis points annually with a minimum balance of \$5 million. This account is yielding about 1.40% annually since inception, adjusted to market. The funds can be sold upon a day’s notice, however the more advance notice that can be given, the less chance of market volatility during the sale of the funds.

Pershing Portfolio

The County works with four brokers which are given the opportunity to bid on requested investments. The securities are then transferred to Pershing, a subsidiary of Bank of New York Mellon for safekeeping. The account is yielding about 1.60% annually, adjusted to market.

MONEY MARKET OVERVIEW

Money markets allow for liquid investments similar to the local government investment pool that may be drawn upon with less than one week advance notice. Open money markets are restricted to investments within the Wisconsin Statutes Section 66.063(1m) and limited to an average maturity of one hundred twenty days or less. The county also allows for collateralized public investment money markets with allowable investment types.

The county has begun to invest in money markets. The following is a summary of the current investment portfolios and money market accounts.

Financial Institution/Manager	Type of Account	Amount
Mid America	Collateralized Money Market	\$10,067,000
Chase Bank	Collateralized Money Market	15,022,000
M&I Portfolio Money Market	Government Money Market	502,000
Total Money Market		\$25,591,000

Mid America Money Market

Rates are established by Mid America Bank at the end of each month based on the LGIP rate. Mid America has guaranteed to be at least .5% higher than the LGIP rate. These funds are collateralized and available with one week notice.

Chase Money Market

Rates are established by JPMorgan Chase and are adjusted once a month based on the market, with the intent to exceed the LGIP rate. Current rate is at 0.30%. Investment is collateralized at a cost included in the earned interest rate. This account can be withdrawn with one day's notice, up to 6 times per month.

RESTRICTED ACCOUNTS OVERVIEW

PFM Advisors has been selected as the County's OPEB investment advisor as of March 2010. The OPEB portfolio will target a long-term investment yield and contain a portfolio mix of equities to core/fixed income investments. The Trust objectives are based on a 15-year investment horizon and will hold up to twelve months of protected liquidity needs for Trust expenses in cash. These will be held exclusively in cash equivalent investments. The remaining assets will be invested in longer-term securities. The portfolio will be managed to always strive to be at or near the Target Asset Weightings. The portfolio will be rebalanced at least quarterly to be at or near Target Asset Weightings.

OPEB REQUIREMENTS AND COMPLIANCE

INVESTMENT ASSETS			
Asset Class	Range	Target	Actual
Domestic Equity	12%-22%	17%	17%
International Equity	5%-15%	10%	8%
REITs	0%-5%	1.5%	2%
Inflation Hedge	0%-5%	1.5%	2%
Fixed Income	50%-70%	70%	70%
Cash Equivalent	0%-20%	0%	1%

OPEB PORTFOLIO SUMMARY AND PERFORMANCE

Institution	Cost	Market Value	Unrealized Gain/(Loss)
Equity	\$ 2,615,104	\$ 2,787,820	\$ 172,716
Fixed Income	7,205,946	7,335,783	129,837
REIT	149,038	157,653	8,615
Total Securities	\$ 9,970,088	\$ 10,281,256	\$311,168

Portfolio advisor quarterly update: "The Walworth County OPEB Trust was initially funded at the end of May, 2010 and then each month going forward to complete the initial portfolio rollout. The markets performed well during the 3rd quarter(July-September) so the Walworth OPEB portfolio returned over 4% during the 3rd quarter. Multiplying that 4% by 4 (for 4 quarters in a year) to project a hypothetical annualized return gives an annualized yield projection of over 16%. Equity (stock) funds rose over 12% during the quarter. Equity funds make up ~ 30% of the County's OPEB portfolio. The other 70% of the portfolio is invested in fixed income funds. The fixed income portion of the portfolio produced returns of ~ 1.75% for the quarter and ~ 7.00 annualized.

RESTRICTED ACCOUNTS OVERVIEW (Continued)

Due to significant amounts of the portfolio being invested into the market at different times throughout the quarter, benchmark comparisons are not meaningful. The recent large price fluctuations in markets highlight that short term performance can and will be volatile. OPEB funds are invested for the long term and the appropriate focus for performance comparison should be the long-term over multiple years. The expectation for the County's 30/70 portfolio are returns of approximately 6%+ annually over the long term.

The return is in line with the benchmark. The benchmark used as a comparison for the County's OPEB portfolio is 60% - S&P 500 Index and 40% - Barclays Aggregate Bond Index. The recent large price fluctuations in markets highlight that short term performance can and will be volatile. OPEB funds are invested for the long term and the appropriate focus for performance comparison should be the long-term over multiple years."

RESTRICTED ACCOUNT BUDGET PERFORMANCE SUMMARY

Restricted cash and investments in funds/departments receive interest income based on the LGIP interest rate or actual interest earned based on investments held by fiscal agents.

ACCOUNT NAME	CURRENT INVESTMENT BALANCE	INTEREST EARNED 2010	REVISED ANNUAL BUDGET 2010
Land Information Fees	\$ 576,853	\$ 853	\$ 1,050
WMMIC Risk Management	4,154,978	8,139	10,600
Capital Project Bond Proceeds	1,800,502	2,973	1,300
Clerk of Courts	569,935	728	3,500
Waddell Donations	84,550	95	500
Harrison Trust	40,036	63	-
Total	\$ 7,226,854	\$ 12,851	\$ 16,950

WALWORTH COUNTY INVESTMENT REPORT
VALUATION AT COST
As of 9/30/2010

Definitions of each section below:

Investment Yield is the investment revenue divided by the average daily balance to show the quarterly yield and a one year rolling yield.

Investment Revenue shows the interest earned by each investment tool on a quarterly and one year rolling period.

Average Daily Balance shows the average daily cash balance invested for each investment tool on a quarterly and one year rolling period.

Investment Yield (Net of Management and Banking Service Fees)

Time Period	State Investment Pool	M&I Money Market ¹	Mid Amer Money Market ²	CD	Chase Money Market ⁶	Pershing Portfolio ³	M&I Portfolio ⁴	JP Morgan Chase Banking	Total Investments
2009									
4th Quarter	0.06%	0.23%	0.19%	0.44%	-	0.41%	0.20%	0.04%	0.24%
2010									
1st Quarter	0.05%	0.21%	0.19%	0.44%	0.00%	0.30%	0.55%	0.04%	0.20%
2nd Quarter	0.05%	0.17%	0.18%	0.42%	0.07%	0.40%	0.18%	0.03%	0.21%
3rd Quarter	0.06%	-	0.18%	0.36% ⁵	0.08%	0.42%	0.25%	0.04%	0.20%
One Year Ending									
2009									
4th Quarter	0.57%	0.51%	0.45%	1.91%	-	0.90%	0.85%	0.13%	0.79%
2010									
1st Quarter	0.36%	0.89%	0.84%	1.85%	-	1.33%	1.73%	0.15%	0.74%
2nd Quarter	0.38%	0.77%	0.77%	2.08%	0.11%	1.59%	1.58%	0.17%	0.83%
3rd Quarter	0.22%	0.81%	0.71%	1.67% ⁵	0.30%	1.60%	1.40%	0.15%	0.82%

Investment Revenue (Net of Management Fees/Gross of Market Adjustments)

Time Period	State Investment Pool	M&I Money Market ¹	Mid Amer Money Market ²	CD	Chase Money Market ⁶	Pershing Portfolio ³	M&I Portfolio ⁴	JP Morgan Chase Banking	Total Investments
2009									
4th Quarter	9,286	34,787	25,384	46,307	-	13,185	24,192	891	154,032
2010									
1st Quarter	11,539	34,728	24,878	44,906	135	14,622	20,355	1,036	159,429
2nd Quarter	3,865	26,468	23,924	38,631	10,865	45,671	12,932	823	163,179
3rd Quarter	16,909	-	23,295	40,458	11,095	87,218	12,794	1,678	193,447
One Year Ending									
2009									
4th Quarter	220,296	62,814	51,494	294,618	-	20,766	42,353	3,618	695,959
2010									
1st Quarter	110,104	97,542	88,555	284,538	135	36,758	75,166	4,477	697,275
2nd Quarter	58,963	121,270	100,296	208,157	11,000	81,059	78,922	4,364	664,031
3rd Quarter	41,599	95,983	97,472	171,932	22,095	160,696	70,273	4,428	664,478

Average Daily Balance

Time Period	State Investment Pool	M&I Money Market ¹	Mid Amer Money Market ²	CD	Chase Money Market ⁶	Pershing Portfolio ³	M&I Portfolio ⁴	JP Morgan Chase Banking	Total Investments
2009									
4th Quarter	15,499,354	15,335,265	13,074,136	10,545,109	-	3,252,767	4,989,036	2,324,338	65,020,005
2010									
1st Quarter	23,641,260	16,173,045	13,103,249	10,292,089	5,500,045	4,862,352	4,996,998	2,857,301	81,426,339
2nd Quarter	7,416,397	15,965,139	13,149,863	9,213,665	14,547,676	11,412,240	5,015,022	2,533,127	79,253,129
3rd Quarter	30,147,887	-	13,014,172	11,236,111	14,692,156	20,725,649	5,027,260	4,350,278	99,193,513
One Year Ending									
2009									
4th Quarter	38,833,045	12,428,018	11,526,201	15,406,301	-	2,304,343	4,985,845	2,795,229	88,278,982
2010									
1st Quarter	30,577,364	10,934,829	10,560,422	15,400,475	1,375,011	2,770,160	4,347,011	2,959,283	78,924,555
2nd Quarter	15,519,004	15,824,483	13,109,083	10,016,954	10,023,861	5,294,857	5,000,352	2,571,589	77,360,182
3rd Quarter	19,181,788	11,867,744	13,085,357	10,323,217	8,684,969	10,063,252	5,007,079	3,016,055	81,229,461

¹ M&I Money Market was closed as of 6/30/2010.

² Mid America Money Market was funded May 14, 2009 with rate of 50 basis points (bps) above LGIP.

³ Custodian for brokered securities based on County's purchases.

⁴ M&I Portfolio was funded on July 29, 2009.

⁵ Due to the start of using these tools the rates are based on the start date, thus do not include a full quarter or one year.

⁶ Chase Money Market fund was funded March 31, 2010 with rate currently at 30 basis points.

Walworth County Investment Portfolio
Portfolio Holdings as of 9/30/2010
M&I PORTFOLIO

Description	Maturity	Quantity	Cost	Market	Unrealized Gain/(Loss)
Cash & Cash Equivalents					
Marshall Government Money Market Fund		502,329	\$ 502,329	\$ 502,329	\$ -
Miscellaneous		2	2	2	
Subtotal Cash & Cash Equivalents		502,331	\$ 502,331	\$ 502,331	\$ -

Government Agency Coupon Securities

FHLMC, 2.875%	11/23/2010	300,000	\$ 303,222	\$ 301,203	\$ (2,019)
FHLB 3.625%	12/17/2010	300,000	304,239	302,157	(2,082)
FHLB 1.625%	1/21/2011	300,000	301,179	301,361	182
FHLMC, 3.250%	2/25/2011	300,000	303,405	303,516	111
FNMA, 1.750%	3/23/2011	300,000	300,999	302,204	1,205
FNMA, 1.375%	4/28/2011	300,000	300,750	301,922	1,172
FHLB 1.375%	5/16/2011	300,000	300,633	302,016	1,383
FHLB 1.625%	7/27/2011	300,000	300,999	303,236	2,237
FFCB, 3.875%	8/25/2011	300,000	307,482	309,611	2,129
FHLB 3.625%	9/16/2011	300,000	306,822	309,750	2,928
FFCB, 3.500%	10/3/2011	300,000	309,336	309,516	180
FNMA, 2.000%	1/9/2012	300,000	302,256	306,188	3,932
FHLMC, 2.125%	3/23/2012	300,000	301,995	307,500	5,505
FHLB 2.250%	4/13/2012	300,000	303,219	308,345	5,126
FHLB 1.875%	6/20/2012	300,000	300,156	307,173	7,017

Subtotal Government Agency Coupon Securities		4,500,000	\$ 4,546,692	\$ 4,575,695	\$ 29,003
TOTAL M&I PORTFOLIO		5,002,331	\$ 5,049,023	\$ 5,078,026	\$ 29,003

Diversification:

Cash & Cash Equivalents	10%	502,331	\$ 502,331	\$ 502,331	\$ -
Government Agency Coupon Securities	90%	4,500,000	4,546,692	4,575,695	29,003
Total M&I PORTFOLIO		100%	5,002,331	\$ 5,049,023	\$ 5,078,026

Breakout by Agency Type:

FHLB = Federal Home Loan Bank	\$ 2,134,037
FFCB = Federal Farm Credit Bank	619,127
FHLMC = Federal Home Loan Mortgage Corp	912,219
FNMA = Federal National Mortgage Association	910,313
	<u>\$ 4,575,695</u>

Maturity Schedule (Call Date) as of	8/31/2010
3 mo	\$ 603,360
3 - 6 mo	907,080
6 - 12 mo	1,526,534
1 yr - 2 yr	1,538,721
2yr - 3 yr	-
3yr - 4 yr	-
4yr - 5 yr	-
5yr - 6 yr	-
Total	\$ 4,575,695

Callable or Mature within 2 years

Less than 3 months	\$ 603,360
3 - 12 months	2,433,614
1 yr - 2 yr	1,538,721
Total	\$ 4,575,695

Walworth County Investment Report
Portfolio Holdings as of 9/30/2010
Pershing (Custodian for Broker/Dealer Transactions)

Description	Maturity	Quantity	Cost	Market	Unrealized Gain/(Loss)
U.S. Treasury Securities					
FNMA 1.05%	9/23/2013	1,000,000	\$ 998,596	\$ 1,004,060	\$ 5,464
Subtotal U.S. Treasury Securities		1,000,000	\$ 998,596	\$ 1,004,060	\$ 5,464

Government Agency Coupon Securities

FHLB, 2%, Callable 12/17/2010	6/17/2013	1,000,000	\$ 1,000,000	\$ 1,002,810	\$ 2,810
FNMA, 2.0%, Callable 4/15/2011	4/15/2013	2,000,000	2,000,000	2,014,380	14,380
FNMA, 1.715%, Callable 4/29/2011	10/29/2012	2,000,000	2,000,000	2,013,120	13,120
FFCB, 1.950%, Callable 05/06/2011	5/6/2013	2,000,000	2,011,826	2,015,000	3,174
FHLMC 1.75%, Callable 6/24/2011	12/24/2013	1,000,000	1,000,000	1,009,230	9,230
FHLMC 2.00%, Callable 6/30/2011 step up	6/30/2015	1,000,000	1,000,000	1,011,660	11,660
FHLMC 2.60%, Callable 6/30/2011	6/30/2015	1,000,000	1,000,000	1,014,600	14,600
FHLB, 2%, Callable 11/18/2011, Step to 4.2%	11/18/2014	500,000	500,000	508,280	8,280
FHLB, 1.75%	8/22/2012	2,000,000	2,021,769	2,045,620	23,851
FFCB, 1.875%	12/7/2012	1,000,000	1,014,055	1,026,250	12,195
FHLB, 1.75%	12/14/2012	1,000,000	1,004,929	1,023,750	18,821
FNMA, 1.75%	2/22/2013	2,000,000	2,011,648	2,050,620	38,972
FNMA, 1.7%	6/3/2013	1,000,000	1,000,000	1,006,560	6,560
FHLB, 1.00%	9/13/2013	1,000,000	998,469	1,005,630	7,161

Subtotal Government Bonds	\$ 18,500,000	\$ 18,562,696	\$ 18,747,510	\$ 184,814
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Municipal Bonds

Richland .505%	12/1/2010	1,000,810	\$ 1,000,374	\$ 1,000,000	\$ (374)
Outagamie .750%	9/1/2011	365,000	365,000	366,351	1,351
Pewaukee 1.250%	3/1/2012	105,000	105,000	105,836	836
WCTC Prom Nts 2.00%	4/1/2012	990,000	1,010,684	1,011,463	779
Racine BAB 1.05%	6/1/2012	200,000	200,000	201,216	1,216
Outagamie 1.00%	9/1/2012	125,000	125,000	125,756	756
Oshkosh 1.00%	12/1/2012	380,000	380,000	379,837	(163)
Pewaukee 1.650%	3/1/2013	105,000	105,000	106,266	1,266
WCTC Prom notes 2.00%	4/1/2013	1,025,000	1,053,296	1,058,261	4,965
Outagamie 1.30%	9/1/2013	825,000	825,000	828,762	3,762
Pewaukee 2.00%	3/1/2014	110,000	110,000	111,342	1,342
Racine BAB 2.55%	6/1/2015	285,000	285,000	290,549	5,549

Subtotal Government Agency Securities	\$ 5,515,810	\$ 5,564,354	\$ 5,585,639	\$ 21,285
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TOTAL Brokered Security Account	\$ 25,015,810	\$ 25,125,646	\$ 25,337,209	\$ 211,563
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Diversification:

U.S. Treasury Securities	4%	1,000,000	998,596	1,004,060	5,464
Government Agency Coupon Securities	74%	18,500,000	18,562,696	18,747,510	184,814
Municipal Bonds	22%	5,515,810	5,564,354	5,585,639	21,285
Total Brokered Securities	100%	\$ 25,015,810	\$ 25,125,646	\$ 25,337,209	\$ 211,563

Breakout by Agency Type:

FHLB = Federal Home Loan Bank	\$ 5,586,090
FFCB = Federal Farm Credit Bank	3,041,250
FHLMC = Federal Home Loan Mortgage Corp	3,035,490
FNMA = Federal National Mortgage Association	8,088,740
MD: Municipal Debt	5,585,639
	\$ 25,337,209

Maturity Schedule (Call Date) as of 9/30/2010

3 mo	\$ 2,002,810
3 - 6 mo	-
6 - 12 mo	9,444,341
1 yr - 2 yr	3,998,171
2yr - 3 yr	9,484,050
3yr - 4 yr	111,342
4yr - 5 yr	290,549
5yr - 6 yr	-
Total	\$ 25,331,263

Callable or Mature within 2 years:

FHLB, 2%, Callable 12/17/2010	\$ 1,002,810
FNMA, 2.0%, Callable 4/15/2011	2,014,380
FNMA, 1.715%, Callable 4/29/2011	2,013,120
FFCB, 1.950%, Callable 05/06/2011	2,015,000
FHLMC 1.75%, Callable 6/24/2011	1,009,230
FHLMC 2.00%, Callable 6/30/2011 step up	1,011,660
FHLB, 2%, Callable 11/18/2011, Step to 4.2%	508,280
FHLMC 2.60%, Callable 6/30/2011	1,014,600
Richland Callable 10/1/2010	1,000,000
Outagamie 75% 9/1/2011	366,351
Pewaukee 1.250% 3/1/2012	105,836
WCTC 2.00% 4/1/2012	1,011,463
Racine 1.05% 6/1/2012	201,216
FHLB 1.75% 8/22/2012	2,045,620
Outagamie 1.00% 9/1/2012	125,756
Total	\$15,445,322