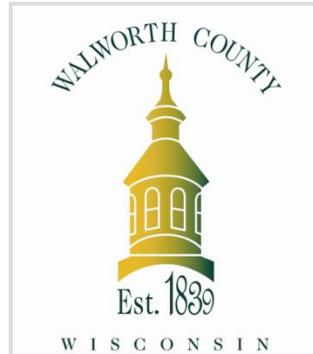


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# WALWORTH COUNTY, WISCONSIN

## QUARTERLY INVESTMENT REPORT

DECEMBER 31, 2011



**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 specified agencies.
- The Local Government Investment Pool (LGIP) yields continue to remain low. Rates have been under 0.25% since November, 2009. The annualized LGIP rate continues to fall with a current average around 0.14%. In a somewhat positive sign the LGIP's current rate of return increased in October from 0.11% to 0.14%, and continued at this rate through year end.
- The County has continued its investing relationship with Associated Bank that began in June, which includes a collateralized money market account. Current collateralized money market yields are as follows Mid-America 0.64%, Associated 0.28%, and Chase 0.15%. The money markets offer a higher yield than a one year treasury currently yielding 0.12% while providing the County a liquid investment.
- The unrelenting weakened economy, expansionary monetary policy, and uncertainty in Europe continue to depress interest rates. The 2011 non-departmental annual budget required an amendment from \$660,000 to \$610,000 in November.
- The investment portfolio with M&I Trust remains at \$5 million, yielding 0.95% annually (not including market adjustments). Portfolio duration is currently 1.98 years to maturity, and contains \$3.3 million in agency securities and \$1.7 million in treasury notes. M&I Bank, M&I Trust, and M&I Capital Markets are now under the new bank administration of BMO Financial Group.
- The brokered portfolio held at Pershing is now at \$25.3 million, yielding 1.36% (not including market adjustments) annually which includes \$17.6 million in agency securities and \$7.7 million in municipal debt. Portfolio duration is currently 1.73 years to maturity.
- The Finance department's financial analyst position was vacant for seven months, and was refilled in October. Securities and CDs were not reinvested as quickly due to the vacancy. The slow turnaround in reinvestment has affected the County's ability to meet the original 2011 budget expectations. Revised budget expectations have been met.

**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 is currently comprised of the following types of investments:

**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. LGIP does not insure its Commercial Paper.

**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.

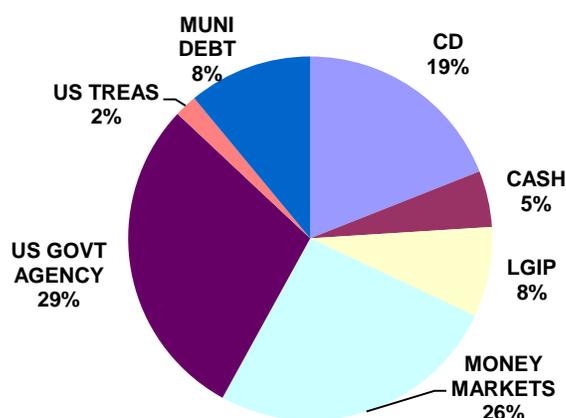
**PUBLIC FUNDS MONEY MARKET ACCOUNT** – The County has approved by resolution Public Funds money markets that are secured by collateral. These investments are used to provide short-term diversification and increase the current yields.

## REQUIREMENTS AND COMPLIANCE

ITEM	DESCRIPTION OF REQUIREMENT	ACTUAL PORTFOLIO
<b>Credit Risk:</b>		
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 50% of the core portfolio, currently \$23,077,500.	Current investment holdings comply
Financial Institutions Limits	Investments held at any one institution shall be limited to 50% of the core portfolio, currently \$23,077,500.	All institutions comply
Debt Limits	Government debt held with any one entity shall be limited to \$3 million.	All institutions comply
<b>Liquidity Risk</b>	Liquid cash shall be maintained at \$10 million and available with 1 day notice.	\$ 18 million or 25%
<b>Reinvestment Risk</b>	Callable securities shall not exceed 50% of agency securities held.	\$ 8.2 million or 11%
<b>Market Risk:</b>		
Maturity Restrictions	Investments greater than 3 months and less than 1 year shall not exceed 95% of portfolio.	\$ 15.5 million or 22%
	Investments greater than 1 year and less than 5 years shall not exceed 50% of portfolio.	\$ 24.8 million or 34%

INVESTMENT CATEGORY	MAXIMUM MATURITY	AUTHORIZED LIMIT	ACTUAL PORTFOLIO
Money Markets	N/A	95%	26%
LGIP	N/A	\$5 million min/75% max	8%
US Treasuries	5 years	75%	2%
Agency Securities	5 years	75%	29%
Municipal Debt	5 years	25%	11%
Certificates of Deposit	3 years	50%	19%
Operating Cash	N/A	N/A	5%

INVESTMENT TYPE	MARKET VALUE
Certificates of Deposit	\$ 13,307,000
Depository Bank	3,932,000
LGIP	5,420,000
Money Markets	18,757,000
Portfolio Money Markets	95,000
U.S. Gov. Agency Securities	20,918,000
U.S. Treasury Securities	1,764,000
Municipal Debt	7,707,000
<b>Total</b>	<b>\$ 71,900,000</b>



**BUDGET PERFORMANCE**

The first table below shows the actual and budgeted interest earned through the fourth quarter for 2011 by investment type. The second table below shows the actual and budgeted interest earned for year 2011 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.

<b>INVESTMENT TYPE</b>	<b>INTEREST EARNED</b>	<b>FOURTH QTR 2011 BUDGET</b>
Certificate of Deposit	\$ 137,351	\$ 150,000
U.S. Treasury/Govt. Agency	379,427	380,000
Local Gov Inv Pool (LGIP)	18,999	15,000
Depository Bank (Sweep)	3,723	3,730
Money Markets	122,563	100,000
Other Accounts Allocated Interest	(41,788)	(38,730)
<b>TOTAL NON-DEPT</b>	<b>\$ 620,275</b>	<b>\$ 610,000</b>
YTD Unrealized Gain/(Loss)*	51,477	N/A

\*Per County ordinance, this market adjustment will add/subtract from the County's committed fund balance amount available for these temporary gains/losses and will not directly offset the investment income budget. Current available funds in the committed fund balance account are \$1,131,114. This will be increased by the 2011 unrealized gain of \$51,477 for year end reporting.

<b>ACCOUNT NAME</b>	<b>INTEREST EARNED</b>	<b>FOURTH QTR 2011 BUDGET</b>
Non-Department	\$ 620,275	\$ 610,000
Children with Disabilities Ed Bd	11,066	10,130
DPW Buildings Reserve	168	490
DPW Equipment Reserve	2,125	2,660
Health Insurance	18,899	18,000
Dental Insurance	628	550
Workers Compensation	3,236	2,900
Risk Management	5,666	4,000
<b>TOTAL PORTFOLIO</b>	<b>\$ 662,063</b>	<b>\$ 648,730</b>
<b>Budget to Actual Variance</b>		13,333

- The original annual non-departmental budget was \$660,000, and required an amendment in November to \$610,000. The actual return missed the original budget by \$39,725, but exceeded the revised budget by \$10,275.
- By diversifying into other investment vehicles, we have been able to increase the County's yields by more than six times the LGIP benchmark. If the entire portfolio was invested at the benchmark rate, the forecasted interest through the fourth quarter of 2011 would have approximated \$120,165.
- Certificates of deposit currently held at the end of the fourth quarter have an average return of 1.16%.
- Securities held at the end of the fourth quarter yield to maturity at cost is 1.19% for our brokered securities and 1.11% 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 yields are as of December 31, 2011. The interest income amount does not include unrealized gains or losses.

Investment Portfolio	Benchmark (LGIP)	Actual
Current Holdings – Yield to Maturity at Cost	0.14%	0.85%
Year to Date Interest Income	\$ 120,165	\$ 662,063
4 <sup>th</sup> Quarter Average Return at Cost	0.04%	0.23%
Rolling 1 Year Average Return at Cost	0.14%	0.75%

The results show that the county is currently exceeding expectations in comparison to the benchmark. The county expects interest rates to continue to remain low into the next year. The change in strategy to include more diversity of investment types and maturity lengths has proven to show an increased yield compared to the benchmark.

**M&I Benchmark**

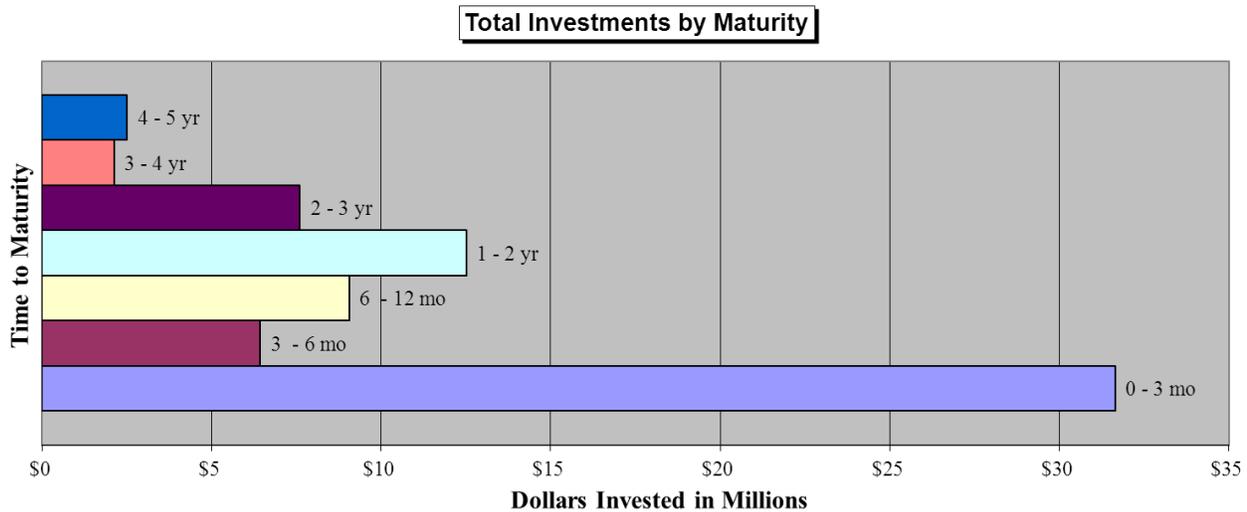
To review the performance of the M&I Short-term Portfolio, the Barclay Government 1-3 year index has been chosen. The investments within the index included US Treasury and Agency securities, which the M&I Short-term Portfolio holdings allow by the County's investment policy. The following shows the comparison of the M&I Short-term Portfolio to the benchmark selected, net of investments.

Time Period	Benchmark*	Actual*
<b>2011</b>		
1 <sup>st</sup> Quarter	0.06%	0.08%
2 <sup>nd</sup> Quarter	0.81%	0.61%
3 <sup>rd</sup> Quarter	0.47%	0.58%
4 <sup>th</sup> Quarter	0.21%	0.28%

**Portfolio advisor response in relation to benchmark:** “For the quarter, on a net of fees basis, the portfolio generated a total return of 0.28% (not annualized) vs. the Barclays 1-3 Yr. Gov't. index return of 0.21%. For the year the portfolio return was 1.45% vs. the index's 1.56%. For 2011 Treasuries were generally the top performing securities in the bond market as investors purchased out of fear related to the European debt situation. We expect the price appreciation to reverse somewhat as investors become more risk tolerant and, thus, did not purchase Treasury positions. Instead, purchases during the quarter were in the Agency sector given their higher yields to maturity (we are more concerned with the yield as we hold the bonds to maturity and bond price fluctuations even out as they mature at face value). At the end of December we held roughly 2% in money market (accumulated income), 34% in U.S. Treasuries, and 64% in Federal Agency securities. All bonds mature within the required 5 year time horizon and the average maturity of the portfolio is 2.50 years. Moving into 2012 we anticipate reinvesting matured bonds in Agencies in the 3 to 5 year time frame as interest rates are not expected to begin rising for some time to come and, when they do, only gradually over a period of time.” - John Benjamin, M&I Wealth Management, *January 5, 2012*

**\*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 10 for actual return on investment.

**TOTAL PORTFOLIO OVERVIEW**

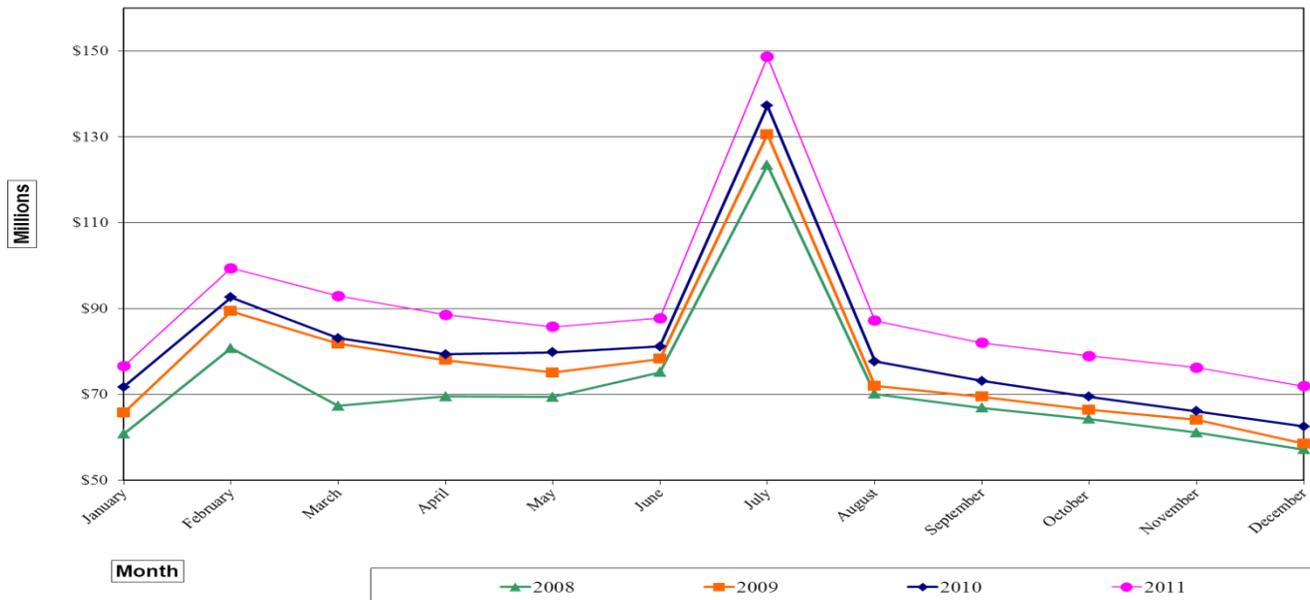


**TOTAL PORTFOLIO OVERVIEW – HISTORICAL BALANCES**

The following chart shows the historic cash balances of the County portfolio (excluding restricted accounts) with a one year average and 3 year average cumulative cash balance based on monthly balances.

Average Balance	<u>2009</u>	<u>2010</u>	<u>2011</u>
Cash (1 year)	\$77,439,000	\$81,165,000	\$89,666,000
Cumulative Cash (3 year)	\$73,212,000	\$76,925,000	\$82,757,000

**CASH FLOW HISTORY**  
**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.

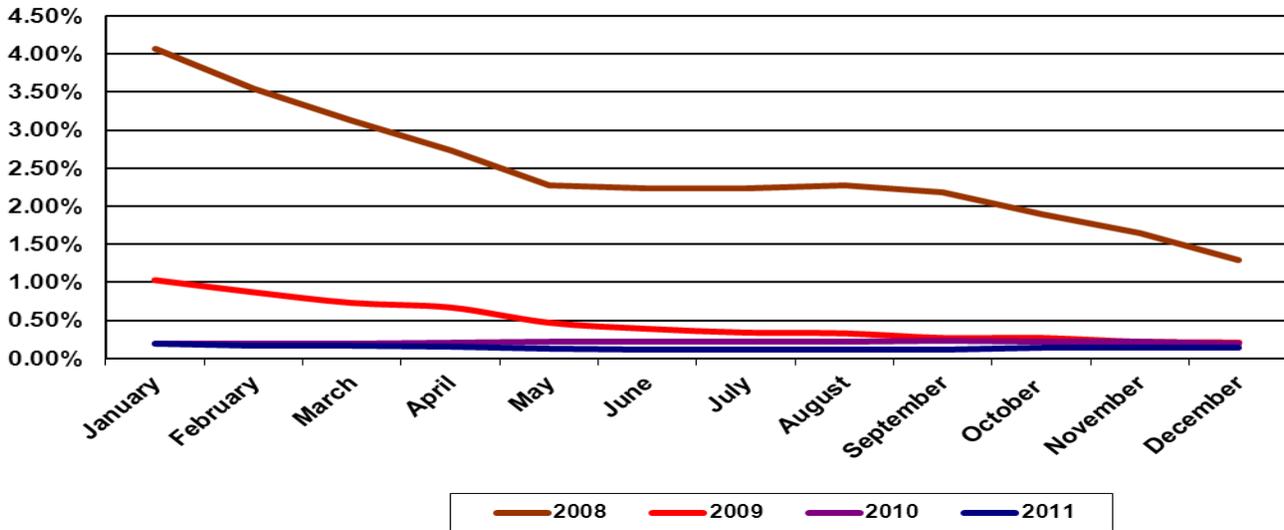
**Liquidity Considerations**

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 maintains a cash balance with the LGIP as it offers same day liquidity. Over the past twelve months, the LGIP balance has averaged \$14.3 million. The County's cash flow spikes in February and July occur as a result of temporary investment of property tax receipts. These receipts may be reinvested into securities when interest rates allow for a better return than LGIP.

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

**LGIP Monthly Interest Rates**



**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 following is a summary of the current investment portfolios and money market accounts.

Financial Institution/Manager	Type of Account	Current Rate	Amount
Mid America	Collateralized Money Market	0.64%	\$10,171,514
JPMorgan Chase Bank	Collateralized Money Market	0.15%	1,562,171
Associated Bank	Collateralized Money Market	0.28%	7,023,490
M&I Portfolio Money Market	Government Money Market	0.01%	95,579
<b>Total Money Market</b>		<b>0.46%</b>	<b>\$18,852,754</b>

**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.

**JP Morgan and Associated Bank Money Markets**

Rates are established by each bank and are reviewed and adjusted based on the market, with the intent to exceed the LGIP rate. Investment is collateralized at a cost included in the earned interest rate. These accounts can be withdrawn with one day’s notice, up to 6 times per month.

## 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.

Financial Institution	Purchase Date	Maturity Date	Amount	Rate %
Associated Bank	1/10/2011	1/10/2012	\$ 500,000	0.38%
Associated Bank	6/3/2011	6/3/2012	500,000	0.49%
Associated Bank	6/3/2011	7/3/2013	1,000,000	0.60%
Associated Bank	8/5/2011	2/6/2012	2,000,000	0.50%
Associated Bank	10/27/2011	10/25/2012	1,000,000	0.58%
Associated Bank	11/17/2011	11/13/2014	1,500,000	1.21%
Citizens Bank	6/30/2010	6/23/2012	1,500,000	1.25%
Citizens Bank	12/7/2011	12/7/2013	225,000	1.06%
Citizens Bank Mukwonago	1/8/2011	1/8/2012	231,554	1.14%
Citizens Bank Mukwonago	8/5/2011	8/5/2013	225,000	1.30%
Commercial Bank	11/12/2011	11/12/2012	225,000	0.65%
Community Bank of Delavan	8/10/2010	8/10/2012	500,000	1.55%
First Citizens State Bank	5/11/2011	8/11/2012	225,000	1.20%
First Citizens State Bank	10/23/2011	2/23/2013	225,000	1.05%
M&I Bank	6/8/2009	6/8/2012	1,000,000	2.66%
Mid America Bank	2/18/2010	2/14/2013	1,000,000	2.17%
Mid America Bank	5/13/2010	5/12/2012	1,000,000	1.45%
Southern Lakes Credit Union	6/3/2010	12/3/2012	225,000	2.15%
Walworth State Bank	6/2/2011	6/2/2013	225,791	0.70%
<b><i>Yield to Maturity at December 31, 2011</i></b>		<b>1.16%</b>	<b>\$ 13,307,345</b>	

During the fourth quarter, certificates of deposit were purchased for \$3,175,000, and \$1,675,000 of certificates of deposit matured. The average duration of the certificates of deposit at December 31<sup>st</sup> is 0.89 years.

### 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. 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 nationally recognized rating agency.

Currently the County has agency securities and treasury notes 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	Book Value	Market Value	Total Unrealized Gain/(Loss)	YTD Unrealized Gain/(Loss)	Yield to Maturity at Cost	Average Duration
M&I Portfolio	\$ 5,123,789	\$ 5,156,737	\$ 32,948	\$ (24,585)	1.11%	1.98
Pershing Portfolio	\$25,276,490	\$25,327,311	\$ 50,820	\$ (26,892)	1.19%	1.73
<b>Total Securities</b>	<b>\$30,400,279</b>	<b>\$30,484,048</b>	<b>\$ 83,768</b>	<b>\$ (51,477)</b>		

#### General Investment Portfolio Information

The yield to maturity at cost and average duration are per the calculations computed in Tracker, our investment software, for the investments currently held.

#### 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. During the fourth quarter, \$325,000 of agency securities were purchased, \$50,000 of agency securities were called, and \$300,000 of agency securities matured.

#### Pershing Portfolio

The County works with five brokers to obtain quotes and bids on investments. The securities are held at Pershing, a subsidiary of Bank of New York Mellon for safekeeping. During the fourth quarter, \$4,260,000 of agency securities were purchased, \$1,500,000 of agency securities were called, and none matured.

### 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	Target	Actual
Equity	30%	45%
Fixed Income	70%	50%
Cash Equivalent	0%	5%

### OPEB PORTFOLIO SUMMARY AND PERFORMANCE

Institution	Market Value	Cost	Unrealized Gain/(Loss)	YTD Realized Income/(Loss)
Equity	\$ 6,911,308	\$ 6,959,516	\$ (48,208)	\$ 255,540
Fixed Income	7,546,798	7,650,953	(104,155)	275,604
Cash	730,781	730,781	-	73
<b>Total Securities</b>	<b>\$ 15,188,887</b>	<b>\$ 15,341,250</b>	<b>\$ (152,363)</b>	<b>\$ 531,217</b>

**Portfolio advisor quarterly update:** "2011 was challenging year in the investment markets with the US stock market (S&P 500) ending up about where it started the year, international stock funds losing about 13% and bond fund managers underperforming the US Treasury market. The Walworth County OPEB Trusts ("the Trusts") earned over 2% for 2011 during this challenging environment. The Trusts have performed well, for a portfolio with a 30% stock weighting and 70% bond weighting, as evidenced by the portfolio earning a total return of about 5.5%, since inception. The Trusts were initially funded in the 3rd quarter of 2010. For 2011, the Trusts benefited from the Vanguard Index Equity Funds that closely tracks the market. Many active equity managers underperformed their benchmarks but the Trusts do not have exposure to active equity managers. The Trust's active fixed-income (bond) manager's underperformed the bond benchmark due to the flight to quality into US Treasury bonds that pushed up the benchmark's value. Most active fixed-income managers in the world underperformed the benchmarks during the period. 2011 was a particularly challenging year with all the uncertainty coming from Euro Zone worries as well as concerns about our US domestic economy. During the 3 months of the fourth quarter 2011, the Trusts yielded an approximate 3.6% return.

OPEB funds are invested for the long term and the appropriate focus for performance comparison should be the long-term over business cycles. The recent large price fluctuations in the markets highlight that short term performance can and will be volatile. The expectation for the County's 30/70 portfolio are returns of approximately 5% - 6% annually over the long term." -Jeff Schroeder, PFM Asset Management, *January 11, 2012*

**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.

<b>ACCOUNT NAME</b>	<b>INTEREST EARNED 2011</b>	<b>4TH QTR BUDGET 2011</b>
Land Information Fees	\$ 864	\$ 820
Risk Management	8,515	6,000
Capital Project Bond Proceeds	4,112	-
Clerk of Courts	2,363	3,500
Waddell Donations	117	200
Harrison Trust	55	-
<b>Total</b>	<b>\$ 16,026</b>	<b>\$ 10,520</b>

**WALWORTH COUNTY INVESTMENT REPORT**  
**VALUATION AT COST**  
As of 12/31/2011

**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 Fees)**

Time Period	State Investment Pool	Mid Amer Money Market	CD	Chase Money Market	Associated Bank Money Market <sup>1</sup>	Pershing Portfolio	M&I Portfolio	JP Morgan Chase Banking	Total Investments
<b>2011</b>									
1st Quarter	0.04%	0.18%	0.40%	0.07%	N/A	0.36%	0.25%	0.04%	0.23%
2nd Quarter	0.03%	0.17%	0.31%	0.06%	0.07%	0.34%	0.21%	0.04%	0.18%
3rd Quarter	0.03%	0.16%	0.34%	0.05%	0.08%	0.29%	0.16%	0.04%	0.14%
<b>4th Quarter</b>	<b>0.04%</b>	<b>0.16%</b>	<b>0.31%</b>	<b>0.04%</b>	<b>0.07%</b>	<b>0.37%</b>	<b>0.33%</b>	<b>0.04%</b>	<b>0.23%</b>
<b>One Year Ending 2011</b>									
1st Quarter	0.22%	0.72%	1.52%	0.30%	N/A	1.54%	1.03%	0.15%	0.87%
2nd Quarter	0.20%	0.71%	1.42%	0.28%	0.30%	1.49%	0.98%	0.15%	0.84%
3rd Quarter	0.15%	0.69%	1.40%	0.26%	0.30%	1.37%	0.88%	0.15%	0.78%
<b>4th Quarter</b>	<b>0.14%</b>	<b>0.66%</b>	<b>1.34%</b>	<b>0.24%</b>	<b>0.30%</b>	<b>1.36%</b>	<b>0.95%</b>	<b>0.15%</b>	<b>0.75%</b>

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

Time Period	State Investment Pool	Mid Amer Money Market	CD	Chase Money Market	Associated Bank Money Market <sup>1</sup>	Pershing Portfolio	M&I Portfolio	JP Morgan Chase Banking	Total Investments
<b>2011</b>									
1st Quarter	4,954	17,916	33,624	11,691	N/A	104,770	12,743	986	186,684
2nd Quarter	5,538	16,887	27,293	10,695	1,795	83,277	10,515	799	156,799
3rd Quarter	6,670	16,085	37,075	7,390	13,615	62,756	8,084	1,080	152,755
<b>4th Quarter</b>	<b>1,837</b>	<b>15,939</b>	<b>39,358</b>	<b>2,680</b>	<b>8,080</b>	<b>87,561</b>	<b>17,048</b>	<b>858</b>	<b>173,361</b>
<b>One Year Ending 2011</b>									
1st Quarter	28,555	83,670	147,826	40,772	N/A	337,365	51,783	4,320	720,759
2nd Quarter	30,228	76,633	136,488	40,602	1,795	374,971	49,366	4,296	714,379
3rd Quarter	19,989	69,423	133,105	36,897	15,410	350,509	44,656	3,698	673,687
<b>4th Quarter</b>	<b>18,999</b>	<b>66,827</b>	<b>137,350</b>	<b>32,456</b>	<b>23,490</b>	<b>338,364</b>	<b>48,390</b>	<b>3,723</b>	<b>669,599</b>

**Average Daily Balance**

Time Period	State Investment Pool	Mid Amer Money Market	CD	Chase Money Market	Associated Bank Money Market <sup>1</sup>	Pershing Portfolio	M&I Portfolio	JP Morgan Chase Banking	Total Investments
<b>2011</b>									
1st Quarter	11,795,046	10,091,847	8,481,431	15,833,034	N/A	29,067,058	5,058,416	2,546,542	82,873,374
2nd Quarter	17,115,179	10,109,349	8,877,122	17,243,284	2,439,576	24,805,929	5,079,267	2,105,042	87,774,748
3rd Quarter	24,084,574	10,126,183	10,918,714	14,065,918	18,006,480	21,990,764	5,040,504	2,856,427	107,089,565
<b>4th Quarter</b>	<b>5,222,683</b>	<b>10,152,663</b>	<b>12,698,687</b>	<b>6,908,232</b>	<b>10,812,612</b>	<b>23,790,996</b>	<b>5,103,760</b>	<b>2,238,531</b>	<b>76,928,163</b>
<b>One Year Ending 2011</b>									
1st Quarter	13,769,915	11,587,077	9,698,093	13,608,427	N/A	21,905,734	5,038,210	2,907,088	82,505,829
2nd Quarter	16,187,967	10,828,911	9,614,307	14,281,613	608,223	25,243,637	5,054,220	2,800,067	84,618,945
3rd Quarter	14,596,022	10,100,246	9,532,760	14,124,661	5,146,843	25,568,140	5,057,578	2,426,828	86,553,078
<b>4th Quarter</b>	<b>14,562,474</b>	<b>10,120,194</b>	<b>10,279,783</b>	<b>13,489,681</b>	<b>7,872,213</b>	<b>24,889,881</b>	<b>5,070,529</b>	<b>2,417,196</b>	<b>88,701,951</b>

<sup>1</sup> Associated Bank Money Market was open as of 6/17/2011.

Comparison to Benchmark:			
Description	LGIP	BC 1-3yr Govt	Portfolio
Rate of Return - Quarterly	0.04%	0.21%	0.23%
Rate of Return - Annualized	0.14%	1.56%	0.75%

**Walworth County Investment Report**  
**Portfolio Holdings as of 12/31/2011**  
Pershing (Custodian for Broker/Dealer Transactions)

Description	Maturity	Quantity	Cost	Market	Unrealized Gain/Loss-BV
Pershing Cash	N/A	-	\$ -	\$ -	\$ -
Pershing MM	N/A	-	-	-	-
<b>Subtotal Cash &amp; Cash Equivalent</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

FFCB 0.6 6/13/2013-12	6/13/2013	1,000,000	1,000,000	1,000,870	870
FFCB 0.6 8/22/2012	8/22/2012	500,000	500,555	501,150	595
FFCB 1.875 12/7/2012	12/7/2012	1,000,000	1,016,800	1,014,930	(1,870)
FHLB 1 9/13/2013	9/13/2013	1,000,000	998,440	1,010,170	11,730
FHLB 1.75 12/14/2012	12/14/2012	1,000,000	1,006,810	1,013,560	6,750
FHLB 1.75 8/22/2012	8/22/2012	2,000,000	2,028,600	2,019,220	(9,380)
FHLMC 0.75 10/17/2014-12	10/17/2014	1,000,000	997,750	999,890	2,140
FHLMC Step 12/19/2014-12	12/19/2014	1,000,000	1,000,000	1,000,400	400
FNMA 1 9/23/2013	9/23/2013	1,000,000	998,514	1,010,340	11,826
FNMA 1.125 7/25/2014-12	7/25/2014	1,000,000	1,000,000	1,000,320	320
FNMA 1.25 8/20/2013	8/20/2013	1,000,000	1,014,700	1,014,000	(700)
FNMA 1.5 10/28/2016-13	10/28/2016	1,000,000	1,000,000	1,001,000	1,000
FNMA 1.55 7/27/2015-12	7/27/2015	1,000,000	1,000,000	1,000,800	800
FNMA 1.75 2/22/2013	2/22/2013	2,000,000	2,014,540	2,032,860	18,320
FNMA Step 2/9/2016-12	2/9/2016	1,000,000	1,000,300	1,000,950	650
FNMA Step 7/27/2014-12	7/27/2014	1,000,000	1,000,000	1,000,290	290
<b>Subtotal Government Agency Coupon Securities</b>		<b>17,500,000</b>	<b>\$ 17,577,009</b>	<b>\$ 17,620,750</b>	<b>\$ 43,741</b>

Dane County 0.9 12/1/2012	12/1/2012	1,070,000	1,070,000	1,071,059	1,059
Madison Wisconsin Taxable Prom Nts 1 10/1/2012	10/1/2012	500,000	500,000	500,660	660
Oshkosh Wisconsin Refunding 1 12/1/2012	12/1/2012	380,000	380,000	380,889	889
Outagamie County 1 9/1/2012	9/1/2012	125,000	125,000	125,490	490
Outagamie County 1.3 9/1/2013	9/1/2013	825,000	825,000	835,049	10,049
Pewaukee Wisconsin 1.25 3/1/2012	3/1/2012	105,000	105,000	105,139	139
Pewaukee Wisconsin 1.65 3/1/2013	3/1/2013	105,000	105,000	106,316	1,316
Pewaukee Wisconsin 2 3/1/2014	3/1/2014	110,000	110,000	112,600	2,600
Racine County 1.05 6/1/2012	6/1/2012	200,000	200,000	200,526	526
Racine County School District 2.55 6/1/2015	6/1/2015	285,000	285,000	297,038	12,038
Waukesha County Tech College 2 4/1/2013	4/1/2013	1,025,000	1,055,145	1,046,966	(8,180)
Waukesha County Tech College 2 4/1/2012	4/1/2012	990,000	1,012,909	994,267	(18,642)
Waupaca County 2 3/1/2013	3/1/2013	330,000	335,419	335,636	218
Waupaca County 2 3/1/2014	3/1/2014	930,000	951,009	954,087	3,078
Winnebago County 0.85 4/1/2012	4/1/2012	640,000	640,000	640,838	838
<b>Subtotal Municipal Debt</b>		<b>7,620,000</b>	<b>\$ 7,699,481</b>	<b>\$ 7,706,561</b>	<b>\$ 7,079</b>

<b>TOTAL PERSHING PORTFOLIO</b>	<b>\$ 25,120,000</b>	<b>\$ 25,276,490</b>	<b>\$ 25,327,311</b>	<b>\$ 50,820</b>
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<b>Diversification:</b>					
Cash & Cash Equivalents	0%	-	\$ -	\$ -	\$ -
Government Agency Coupon Securities	70%	17,500,000	17,577,009	17,620,750	43,741
US Treasury Notes	0%	-	-	-	-
Municipal Debt	30%	7,620,000	7,699,481	7,706,561	7,079
<b>Total PERSHING PORTFOLIO</b>	<b>100%</b>	<b>\$ 25,120,000</b>	<b>\$ 25,276,490</b>	<b>\$ 25,327,311</b>	<b>\$ 50,820</b>

**Breakout by Agency Type:**

FHLB	\$ 4,042,950
FFCB	2,516,950
FNMA	9,060,560
FHLMC	2,000,290
Municipal Debt	7,706,561
Treasury Note	-
<b>Total</b>	<b>\$ 25,327,311</b>

**Maturity Schedule (assumes no-call)**

0-3 month	\$ 105,139
3 - 6 month	1,835,631
6 - 12 month	6,626,959
1 - 2 year	8,392,206
2 - 3 year	5,067,587
3 - 4 year	1,297,838
4 - 5 year	2,001,950
<b>Total</b>	<b>\$ 25,327,311</b>

**Portion Callable or Mature within 2 years**

Callable	\$ 8,004,520
Maturity	15,959,065

**Walworth County Investment Portfolio**  
**Portfolio Holdings as of 12/31/2011**  
**M&I Portfolio**

Description	Maturity Date	Quantity	Cost	Market	Unrealized Gain/Loss-BV
M&I Cash	N/A	2	\$ 2	\$ 2	\$ -
Marshall Government MM	N/A	95,579	95,579	95,579	-
<b>Subtotal Cash &amp; Cash Equivalent</b>		<b>95,581</b>	<b>95,581</b>	<b>95,581</b>	<b>\$ -</b>

FHLB 1.375 5/28/2014	5/28/2014	100,000	102,441	102,031	(410)
FHLB 1.625 3/20/2013	3/20/2013	175,000	178,124	177,840	(284)
FHLB 1.625 9/28/2015	9/28/2015	150,000	153,951	154,412	460
FHLB 1.875 6/20/2012	6/20/2012	300,000	300,222	302,418	2,196
FHLB 2.125 6/10/2016	6/10/2016	100,000	104,263	104,382	119
FHLB 2.25 4/13/2012	4/13/2012	300,000	304,326	301,794	(2,532)
FHLB 2.5 6/13/2014	6/13/2014	80,000	83,703	83,815	112
FHLMC 0.6 8/22/2013-12	8/22/2013	85,000	85,000	85,031	31
FHLMC 0.65 7/18/2013-12	7/18/2013	70,000	70,000	70,009	9
FHLMC 1 8/27/2014	8/27/2014	150,000	152,241	151,460	(781)
FHLMC 1.75 9/10/2015	9/10/2015	150,000	155,229	154,899	(330)
FHLMC 2 8/25/2016	8/25/2016	150,000	155,282	155,981	699
FHLMC 2.125 3/23/2012	3/23/2012	300,000	303,491	301,359	(2,132)
FHLMC 2.875 2/9/2015	2/9/2015	125,000	129,478	133,408	3,930
FNMA 0.375 12/28/2012	12/28/2012	110,000	109,574	110,261	686
FNMA 1 9/23/2013	9/23/2013	100,000	100,772	101,034	262
FNMA 1.125 10/8/2013	10/8/2013	150,000	152,106	152,016	(90)
FNMA 1.125 6/27/2014	6/27/2014	85,000	85,283	86,156	873
FNMA 1.25 9/28/2016	9/28/2016	100,000	100,064	100,521	457
FNMA 1.35 2/24/2014-11	2/24/2014	65,000	65,358	66,252	894
FNMA 1.5 10/28/2015-11	10/28/2015	100,000	102,133	102,183	50
FNMA 2 1/9/2012	1/9/2012	300,000	303,649	300,099	(3,550)
<b>Subtotal Government Agency Coupon Securities</b>		<b>3,245,000</b>	<b>\$ 3,296,688</b>	<b>\$ 3,297,359</b>	<b>\$ 670</b>

T-Note 0.625 4/30/2013	4/30/2013	100,000	100,360	100,598	238
T-Note 0.75 12/15/2013	12/15/2013	150,000	148,407	151,472	3,065
T-Note 0.75 6/15/2014	6/15/2014	150,000	150,006	151,653	1,647
T-Note 0.75 9/15/2013	9/15/2013	100,000	100,024	100,871	847
T-Note 0.75 9/15/2013	9/15/2013	25,000	24,923	25,218	295
T-Note 1.125 12/15/2012	12/15/2012	150,000	151,172	151,407	235
T-Note 1.25 10/31/2015	10/31/2015	75,000	72,487	76,934	4,448
T-Note 1.25 10/31/2015	10/31/2015	50,000	48,381	51,290	2,908
T-Note 1.25 4/15/2014	4/15/2014	150,000	152,297	153,270	973
T-Note 1.375 3/15/2013	3/15/2013	150,000	151,682	152,163	481
T-Note 1.375 5/15/2013	5/15/2013	100,000	101,754	101,602	(152)
T-Note 1.5 6/30/2016	6/30/2016	150,000	148,313	155,145	6,832
T-Note 1.75 1/31/2014	1/31/2014	75,000	75,932	77,303	1,371
T-Note 1.75 7/31/2015	7/31/2015	50,000	49,522	52,196	2,674
T-Note 1.75 7/31/2015	7/31/2015	40,000	39,995	41,756	1,761
T-Note 1.75 7/31/2015	7/31/2015	60,000	61,538	62,635	1,097
T-Note 2.375 9/30/2014	9/30/2014	50,000	51,692	52,762	1,070
T-Note 2.375 9/30/2014	9/30/2014	100,000	103,035	105,524	2,489
<b>Subtotal US Treasury Notes</b>		<b>1,725,000</b>	<b>\$ 1,731,520</b>	<b>\$ 1,763,798</b>	<b>\$ 32,278</b>

<b>TOTAL M&amp;I WEALTH MANAGEMENT PORTFOLIO</b>	<b>5,065,581</b>	<b>\$ 5,123,789</b>	<b>\$ 5,156,737</b>	<b>\$ 32,948</b>
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Diversification:					
Cash & Cash Equivalents	2%	95,581	95,581	95,581	-
Government Agency Securities	64%	3,245,000	3,296,688	3,297,359	670
US Treasury Notes	34%	1,725,000	1,731,520	1,763,798	32,278
Municipal Debt	0%	-	-	-	-
<b>Total M&amp;I PORTFOLIO</b>	<b>100%</b>	<b>5,065,581</b>	<b>\$ 5,123,789</b>	<b>\$ 5,156,737</b>	<b>\$ 32,948</b>

**Breakout by Agency Type:**

FHLB	\$ 1,226,692
FHLMC	1,052,145
FNMA	1,018,522
Treasury Note	1,763,798
<b>Total</b>	<b>\$ 5,061,157</b>

**Maturity Schedule (assumes no-call)**

0-3 month	\$ 697,039
3 - 6 month	604,212
6 - 12 month	261,668
1 - 2 year	1,217,853
2 - 3 year	1,030,226
3 - 4 year	829,711
4 - 5 year	516,029
<b>Total</b>	<b>\$ 5,156,737</b>

**Portion Callable or Mature within 2 years**

Callable	\$ 155,040
Maturity	2,625,732
<b>Total</b>	<b>\$ 2,780,772</b>