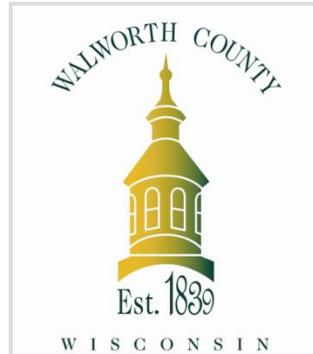


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# **WALWORTH COUNTY, WISCONSIN**

## **QUARTERLY INVESTMENT REPORT**

**MARCH 31, 2012**



**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 has a current average of 0.15%.
- 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 0.25%, and Chase 0.15%. The money markets provide the County with liquidity and offer a higher yield in some cases than a one year treasury currently yielding 0.17%.
- The unrelenting weakened economy, expansionary monetary policy, and uncertainty in Europe continue to depress interest rates. The 2012 non-departmental annual budget is currently \$500,000 reflecting the continual decline in reinvestment yield expectations, even in comparison to last year's actual return of \$616,500. The overall investment yield on the County's portfolio has dropped by over 20% from 0.87% after the first quarter in 2011 to 0.67% after the first quarter in 2012.
- The investment portfolio with M&I Trust remains at \$5 million, yielding 0.76% annually (not including market adjustments). Portfolio duration is currently 2.30 years to maturity, and contains \$3.3 million in agency securities and \$1.8 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 at \$24.7 million, yielding 1.19% (not including market adjustments) annually which includes \$17.1 million in agency securities and \$7.6 million in municipal debt. Portfolio duration is currently 1.66 years to maturity.
- The Finance department continues to follow economic news and seek input from brokers and advisors on near and long-term investment yield potential. Currently all feedback received states that rates are expected to remain low for the next 2 years.

**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.

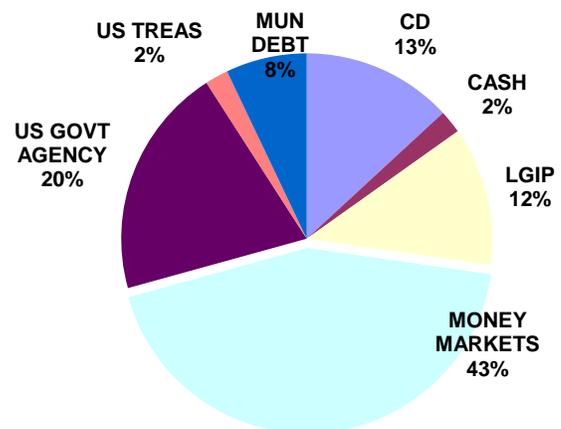
**PUBLIC FUNDS MONEY MARKET ACCOUNT** – The County has approved by resolution Public Funds money markets that are secured by collateral. These investments are used to provide short-term diversification and increase the current yields.

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.	\$ 48.9 million or 48%
<b>Reinvestment Risk</b>	Callable securities shall not exceed 50% of agency securities held.	\$ 6.7 million or 22%
<b>Market Risk:</b>		
Maturity Restrictions	Investments greater than 3 months and less than 1 year shall not exceed 95% of portfolio.	\$ 16.3 million or 16%
	Investments greater than 1 year and less than 5 years shall not exceed 50% of portfolio.	\$ 20.3 million or 20%

INVESTMENT CATEGORY	MAXIMUM MATURITY	AUTHORIZED LIMIT	ACTUAL PORTFOLIO
Money Markets	N/A	95%	43%
LGIP	N/A	\$5 million min/75% max	12%
US Treasuries	5 years	75%	2%
Agency Securities	5 years	75%	20%
Municipal Debt	5 years	25%	8%
Certificates of Deposit	3 years	50%	13%
Operating Cash	N/A	N/A	2%

INVESTMENT TYPE	MARKET VALUE
Certificates of Deposit	\$ 13,251,000
Depository Bank	2,143,000
LGIP	12,535,000
Money Markets	44,393,000
Portfolio Money Markets	30,000
U.S. Gov. Agency Securities	20,485,000
U.S. Treasury Securities	1,757,000
Municipal Debt	7,588,000
<b>Total</b>	<b>\$ 102,182,000</b>



**BUDGET PERFORMANCE**

The first table below shows the actual and budgeted interest earned during the first quarter for 2012 by investment type. The second table below shows the actual and budgeted interest earned for the first quarter of 2012 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>FIRST QTR 2012 BUDGET</b>
Certificate of Deposit	\$ 40,500	\$ 33,750
U.S. Treasury/Govt. Agency	74,222	68,750
Local Gov Inv Pool (LGIP)	4,802	3,250
Depository Bank (Sweep)	874	803
Money Markets	28,593	24,400
Other Accounts Allocated Interest	(11,916)	(5,953)
<b>TOTAL NON-DEPT</b>	<b>\$ 137,075</b>	<b>\$ 125,000</b>
YTD Unrealized Gain/(Loss)*	(13,470)	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 \$1,182,591.

<b>ACCOUNT NAME</b>	<b>INTEREST EARNED</b>	<b>FIRST QTR 2012 BUDGET</b>
Non-Department	\$ 137,075	\$ 125,000
Children with Disabilities Ed Bd	3,650	1,515
DPW Buildings Reserve	92	50
DPW Equipment Reserve	688	313
Health Insurance	5,089	3,000
Dental Insurance	171	100
Workers Compensation	835	575
Risk Management	1,391	400
<b>TOTAL PORTFOLIO</b>	<b>\$ 148,991</b>	<b>\$ 130,953</b>
<b>Budget to Actual Variance</b>		18,038

- The original annual non-departmental budget is \$500,000, and returns during the first quarter are meeting expectations.
- By diversifying into other investment vehicles, we have been able to increase the County’s yields by about four times the LGIP benchmark. If the entire portfolio was invested at the benchmark rate, the forecasted interest during the first quarter of 2012 would have approximated \$34,687.
- Certificates of deposit currently held at the end of the first quarter have an average return of 1.17%.
- Securities held at the end of the first quarter yield to maturity at cost is 1.10% for our brokered securities and 0.87% at M&I Trust, net investment fees.

**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 March 31, 2012. The interest income amount does not include unrealized gains or losses.

<b>Investment Portfolio</b>	<b>Benchmark (LGIP)</b>	<b>Actual</b>
Current Holdings – Yield to Maturity at Cost	0.15%	0.62%
Year to Date Interest Income	\$ 34,687	\$ 148,991
1 <sup>st</sup> Quarter Average Return at Cost	0.04%	0.16%
Rolling 1 Year Average Return at Cost	0.13%	0.67%

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 an increased yield compared to the benchmark.

**M&I Benchmark**

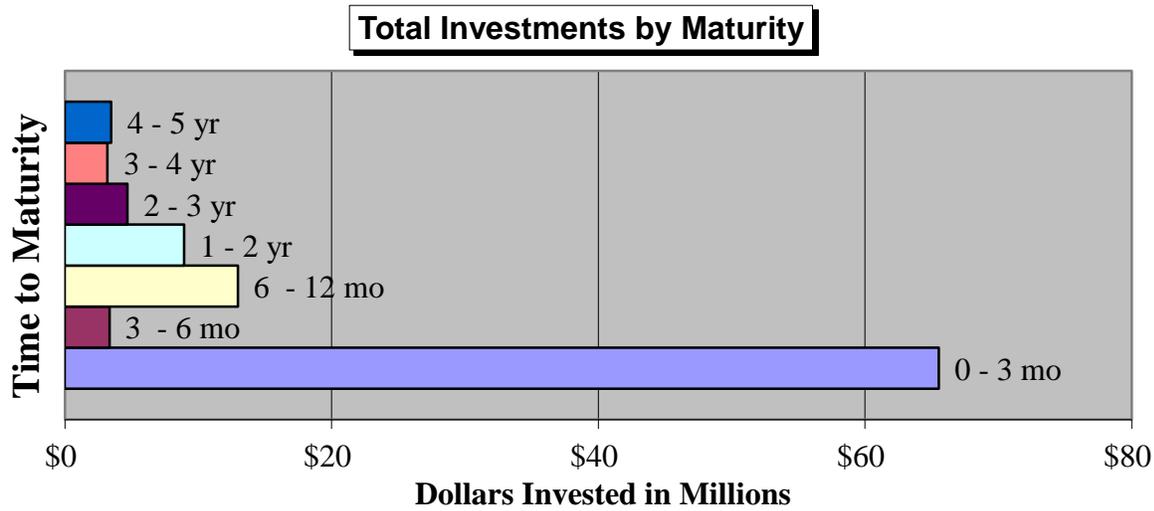
To review the performance of the M&I Short-term Portfolio, the Barclay Government 1-3 year index has been chosen. The investments within the index included US Treasury and Agency securities, which the M&I Short-term Portfolio holdings allow by the County’s investment policy. The following shows the comparison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

<b>Time Period</b>	<b>Benchmark*</b>	<b>Actual*</b>
<b>2011</b>		
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%
<b>2012</b>		
1 <sup>st</sup> Quarter	-0.02%	0.15%

**Portfolio advisor response in relation to benchmark:** “Performance for the portfolio for the first quarter was 0.12%, net of fees, versus a return of -0.02% for the Barclays 1-3 Yr. Government Index. For the trailing year, the returns were 1.48% and 1.47%, respectively. Performance in the recent quarter was due to relative weakness in U.S. Treasury securities as investors became more risk-tolerant during the quarter (unwinding positions taken on during the Greece-related fear of mid-2011). At this time the portfolio average maturity stands at 3.01 years and we have been generally purchasing Federal Agency securities in the 4-5 year range given both the additional yield available on those credits of those maturities and the continued expectation for relative stability in interest rates and interest rate policy for the foreseeable future. Based on recent Fed announcements, the consensus view is that Fed Funds may climb to the 1% level (from the current target of 0%-0.25%) by the end of 2014, though this view is not unanimous by voting members of the Open Market Committee. At this time we hold approximately 1% in money market, 34% in U.S. Treasuries and 65% in Federal Agency notes, all maturing within 5 years, per the requirements of the County's investment policy.” - John Benjamin, M&I Wealth Management, *May 3, 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**



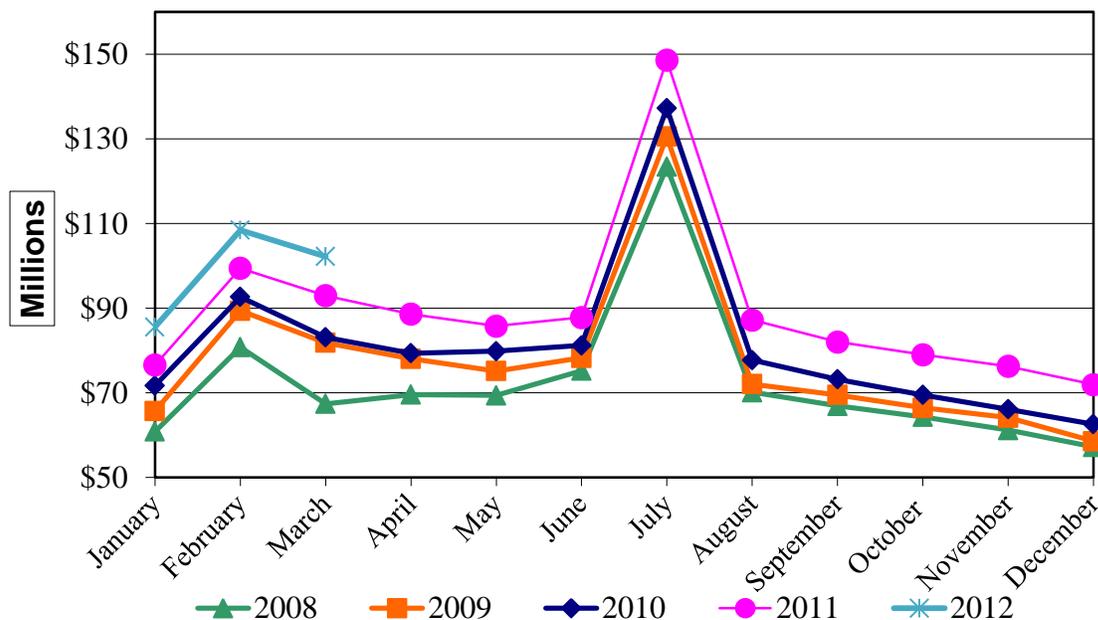
**TOTAL PORTFOLIO OVERVIEW – HISTORICAL BALANCES**

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>2010</u>	<u>2011</u>	<u>2012</u>
Cash (1 year)	\$81,165,000	\$89,666,000	\$91,936,000
Cumulative Cash (3 year)	\$76,925,000	\$82,757,000	\$84,404,000

**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.

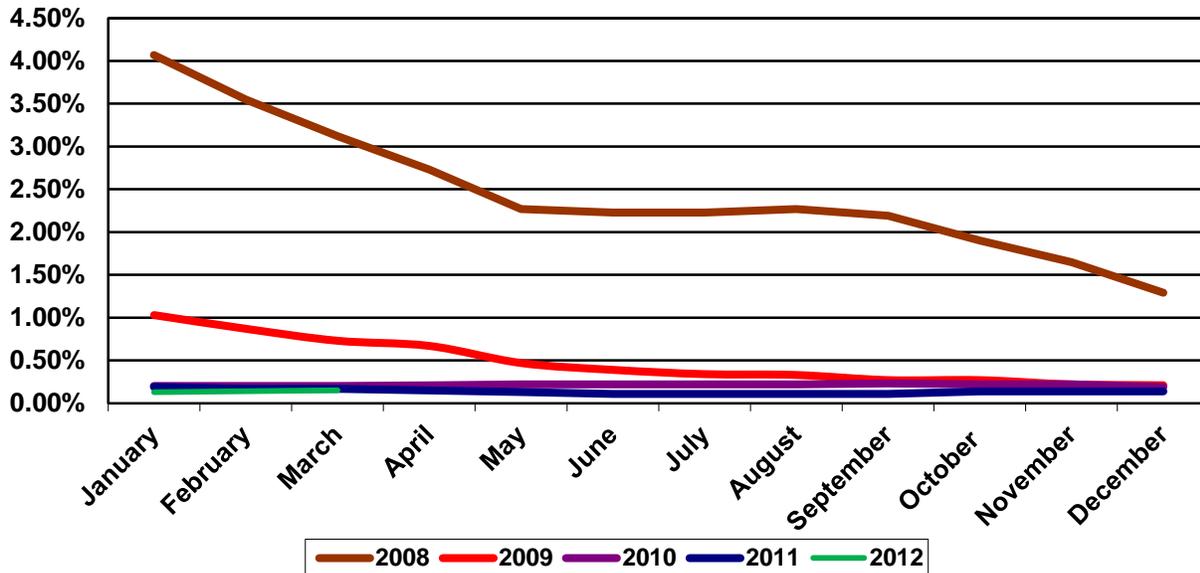
**Liquidity Considerations**

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 \$14.5 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%	\$10,187,752
JPMorgan Chase Bank	Collateralized Money Market	0.15%	15,565,829
Associated Bank	Collateralized Money Market	0.25%	18,639,544
M&I Portfolio Money Market	Government Money Market	0.01%	29,982
<b>Total Money Market</b>		<b>0.30%</b>	<b>\$44,423,107</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	06/03/2011	06/03/2012	500,000	0.49%
Associated Bank	06/03/2011	07/03/2013	1,000,000	0.60%
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%
Associated Bank	02/16/2012	02/14/2014	2,000,000	0.48%
Citizens Bank	06/30/2010	06/23/2012	1,500,000	1.25%
Citizens Bank	12/07/2011	12/07/2013	225,000	1.06%
Citizens Bank	02/08/2012	02/08/2014	225,000	0.76%
Citizens Bank of Mukwonago	08/05/2011	08/05/2013	225,000	1.30%
Citizens Bank of Mukwonago	01/08/2012	01/08/2014	225,000	1.00%
Commercial Bank	11/12/2011	11/12/2012	225,000	0.65%
Community Bank of Delavan	08/10/2010	08/10/2012	500,000	1.55%
First Citizens State Bank	05/11/2011	08/11/2012	225,000	1.20%
First Citizens State Bank	10/23/2011	02/23/2013	225,000	1.05%
M&I Bank	06/08/2009	06/08/2012	1,000,000	2.66%
Mid America Bank	02/18/2010	02/14/2013	1,000,000	2.17%
Mid America Bank	05/13/2010	05/12/2012	1,000,000	1.45%
Southern Lakes Credit Union	06/03/2010	12/03/2012	225,000	2.15%
Talmer Bank & Trust	01/09/2012	01/03/2012	225,000	0.55%
Walworth State Bank	06/02/2011	06/02/2013	226,185	0.70%
<b><i>Yield to Maturity at March 31, 2012</i></b>		<b>1.17%</b>	<b>\$13,251,185</b>	

During the first quarter, certificates of deposit were purchased for \$2,675,000, and \$2,725,000 of certificates of deposit matured. The average duration of the certificates of deposit at March 31, 2012 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	\$ 5,133,386	\$ 5,162,432	\$ 29,046	\$ (4,871)	1.06%	2.30
Pershing Portfolio	\$24,666,965	\$24,696,922	\$ 29,956	\$ (8,599)	1.10%	1.66
<b>Total Securities</b>	\$30,400,279	\$29,859,353	\$ 59,002	\$ (13,470)		

#### 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 for 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 first quarter, \$825,000 of agency securities were purchased, \$155,000 of agency securities were called, and \$600,000 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, \$3,500,000 of agency securities were purchased, \$4,000,000 of agency securities were called, and \$105,000 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%	31%
Fixed Income	70%	68%
Cash Equivalent	0%	1%

### OPEB PORTFOLIO SUMMARY AND PERFORMANCE

Institution	Market Value	Cost	Unrealized Gain/(Loss)
Equity	\$ 5,508,588	\$ 5,065,302	\$ 443,286
Fixed Income	11,239,690	11,186,218	53,472
Cash	182,428	182,428	-
<b>Total Securities</b>	<b>\$ 16,930,706</b>	<b>\$ 16,433,948</b>	<b>\$ 496,758</b>

**Portfolio advisor quarterly update:** "Through the end of quarter 1, markets rebounded nicely from a difficult 2011. Domestic equities rose for the quarter and have had 6 consecutive positive return months. Investor sentiment seems to indicate guarded hope for an economic recovery that persists. The landscape for international equities is far less rosy. Fiscal problems in Europe dominated lackluster performance. Interestingly, even those countries not involved in the Europe's fiscal quagmire were affected with poor performance simply based upon geographic proximity to the problem countries. US broad fixed income was slightly positive for the quarter based in part on positive economic news. Corporate and high yield issues were supported by growing investor demand. International debt had pockets of resistance based upon the European fiscal crisis. Emerging market debt significantly outperformed Treasuries of similar maturities. Real estate was also in positive territory for the quarter due to continued economic improvements. Commodities fell largely due to a drop in the price of oil.

The Walworth portfolios performed well over the quarter and outpaced their respective benchmarks significantly. Returns were over 100 basis point above the blended benchmark for the quarter for all accounts. Drivers of outperformance were active bond management as well as commodity investment decisions. Portfolios earned about 4.8% for the 1st quarter period (19.2% annualized) compared to about 3.6% for the blended benchmark. Since inception, the portfolios have performed well compared to the historical performance of 30/70 portfolios with returns of about 7.5%. -Jeff Schroeder, PFM Asset Management, May 8, 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 2012</b>	<b>1ST QTR BUDGET 2012</b>
Land Information Fees	\$ 202	\$ 150
Risk Management	2,520	700
Capital Project Bond Proceeds	3,421	-
Clerk of Courts*	-	875
Waddell Donations	30	-
Harrison Trust	14	-
<b>Total</b>	<b>\$ 6,187</b>	<b>\$ 1,725</b>

\*Entries have not yet been made for 2012 to record actual interest earned.

**WALWORTH COUNTY INVESTMENT REPORT**  
**VALUATION AT COST**  
As of 03/31/2012

**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	Local Gov 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>									
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%
4th Quarter	<b>0.04%</b>	<b>0.16%</b>	<b>0.31%</b>	<b>0.04%</b>	<b>0.07%</b>	<b>0.30%</b>	<b>0.22%</b>	<b>0.04%</b>	<b>0.20%</b>
<b>2012</b>									
	<b>0.04%</b>	<b>0.16%</b>	<b>0.31%</b>	<b>0.04%</b>	<b>0.06%</b>	<b>0.26%</b>	<b>0.17%</b>	<b>0.04%</b>	<b>0.16%</b>
<b>One Year Ending</b>									
<b>2011</b>									
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%
4th Quarter	0.14%	0.66%	1.34%	0.24%	0.30%	1.29%	0.84%	0.15%	0.73%
<b>2012</b>									
1st Quarter	0.13%	0.64%	1.27%	0.20%	0.28%	1.19%	0.76%	0.15%	0.67%

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

Time Period	Local Gov 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>									
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
4th Quarter	1,837	15,939	39,358	2,680	8,080	71,473	11,409	858	151,635
<b>2012</b>									
1st Quarter	<b>4,802</b>	<b>16,238</b>	<b>40,500</b>	<b>3,658</b>	<b>8,694</b>	<b>62,880</b>	<b>8,786</b>	<b>874</b>	<b>146,432</b>
<b>One Year Ending</b>									
<b>2011</b>									
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
4th Quarter	18,999	66,827	137,350	32,456	23,490	322,276	42,751	3,723	647,873
<b>2012</b>									
1st Quarter	18,847	65,149	144,226	24,423	32,184	280,386	38,794	3,611	<b>607,620</b>

**Average Daily Balance**

Time Period	Local Gov 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>									
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
4th Quarter	<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>2012</b>									
1st Quarter	<b>13,431,832</b>	<b>10,177,218</b>	<b>13,260,061</b>	<b>9,958,648</b>	<b>13,986,995</b>	<b>23,738,795</b>	<b>5,111,840</b>	<b>2,305,487</b>	<b>91,970,876</b>
<b>One Year Ending</b>									
<b>2011</b>									
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
4th Quarter	<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>
<b>2012</b>									
1st Quarter	<b>14,961,873</b>	<b>10,141,343</b>	<b>11,386,101</b>	<b>12,035,513</b>	<b>11,328,345</b>	<b>23,576,925</b>	<b>5,083,779</b>	<b>2,377,763</b>	<b>90,891,642</b>

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

Comparison to Benchmark:		
Description	LGIP	Portfolio
Rate of Return - Quarterly	0.04%	0.16%
Rate of Return - Annualized	0.13%	0.67%

**Walworth County Investment Report**  
**Portfolio Holdings as of 3/31/2012**  
Pershing (Custodian for Broker/Dealer Transactions)

Description	Maturity	Quantity	Cost	Market	Unrealized Gain/Loss-BV
FFCB 0.6 6/13/2013-12	6/13/2013	1,000,000	1,000,000	1,000,450	450
FFCB 0.6 8/22/2012	8/22/2012	500,000	500,555	500,875	320
FFCB 1.05 3/28/2016	3/28/2016	1,000,000	999,900	1,004,720	4,820
FFCB 1.875 12/7/2012	12/7/2012	1,000,000	1,016,800	1,011,370	(5,430)
FHLB 1 9/13/2013	9/13/2013	1,000,000	998,440	1,009,650	11,210
FHLB 1.75 12/14/2012	12/14/2012	1,000,000	1,006,810	1,010,450	3,640
FHLB 1.75 8/22/2012	8/22/2012	2,000,000	2,028,600	2,012,440	(16,160)
FHLMC 0.75 10/17/2014-12	10/17/2014	1,000,000	997,750	1,000,190	2,440
FHLMC 1 3/14/2016-14	3/14/2016	1,000,000	996,500	998,880	2,380
FHLMC Step 1/25/2017-13	1/25/2017	500,000	499,375	501,165	1,790
FHLMC Step 12/19/2014-12	12/19/2014	1,000,000	1,000,000	1,000,880	880
FNMA 1 9/23/2013	9/23/2013	1,000,000	998,514	1,009,450	10,936
FNMA 1.25 8/20/2013	8/20/2013	1,000,000	1,014,700	1,012,430	(2,270)
FNMA 1.5 10/28/2016-13	10/28/2016	1,000,000	1,000,000	1,007,310	7,310
FNMA 1.75 2/22/2013	2/22/2013	2,000,000	2,014,540	2,026,300	11,760
FNMA Step 1/30/2017-13	1/30/2017	500,000	500,000	500,635	635
FNMA Step 9/26/2016-12	9/26/2016	500,000	500,000	501,385	1,385
<b>Subtotal Government Agency Coupon Securities</b>		<b>17,000,000</b>	<b>17,072,484</b>	<b>17,108,580</b>	<b>\$ 36,096</b>

Dane County 0.9 12/1/2012	12/1/2012	1,070,000	1,070,000	1,070,770	770
Madison Wisconsin Taxable Prom Nts 1 10/1/2012	10/1/2012	500,000	500,000	500,440	440
Oshkosh Wisconsin Refunding 1 12/1/2012	12/1/2012	380,000	380,000	380,646	646
Outagamie County 1 9/1/2012	9/1/2012	125,000	125,000	125,305	305
Outagamie County 1.3 9/1/2013	9/1/2013	825,000	825,000	833,786	8,786
Pewaukee Wisconsin 1.65 3/1/2013	3/1/2013	105,000	105,000	106,054	1,054
Pewaukee Wisconsin 2 3/1/2014	3/1/2014	110,000	110,000	112,642	2,642
Racine County 1.05 6/1/2012	6/1/2012	200,000	200,000	200,206	206
Racine County School District 2.55 6/1/2015	6/1/2015	285,000	285,000	298,258	13,258
Waukesha County Tech College 2 4/1/2012	4/1/2012	990,000	1,012,909	990,000	(22,909)
Waukesha County Tech College 2 4/1/2013	4/1/2013	1,025,000	1,055,145	1,042,753	(12,392)
Waupaca County 2 3/1/2013	3/1/2013	330,000	335,419	334,481	(937)
Waupaca County 2 3/1/2014	3/1/2014	930,000	951,009	952,999	1,990
Winnebago County 0.85 4/1/2012	4/1/2012	640,000	640,000	640,000	-
<b>Subtotal Municipal Debt</b>		<b>7,515,000</b>	<b>\$ 7,594,481</b>	<b>\$ 7,588,342</b>	<b>\$ (6,140)</b>

<b>TOTAL PERSHING PORTFOLIO</b>	<b>\$ 24,515,000</b>	<b>\$ 24,666,965</b>	<b>\$ 24,696,922</b>	<b>\$ 29,956</b>
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**Diversification:**

Government Agency Coupon Securities	69%	\$ 17,000,000	\$ 17,072,484	\$ 17,108,580	\$ 36,096
Municipal Debt	31%	7,515,000	7,594,481	7,588,342	(6,140)
<b>Total PERSHING PORTFOLIO</b>	<b>100%</b>	<b>\$ 24,515,000</b>	<b>\$ 24,666,965</b>	<b>\$ 24,696,922</b>	<b>\$ 29,956</b>

**Breakout by Agency Type:**

FHLB	\$ 4,032,540
FFCB	3,517,415
FNMA	6,057,510
FHLMC	3,501,115
Municipal Debt	7,588,342
Treasury Note	-
<b>\$ 24,696,922</b>	

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

0-3 month	\$ 1,830,206
3 - 6 month	2,638,620
6 - 12 month	7,483,266
1 - 2 year	5,931,407
2 - 3 year	2,001,070
3 - 4 year	2,301,858
4 - 5 year	2,510,495
<b>\$ 24,696,922</b>	

**Portion Callable or Mature within 2 years**

Callable	\$ 6,510,895
Maturity	16,883,049
<b>\$ 23,393,944</b>	

**Walworth County Investment Portfolio**  
**Portfolio Holdings as of 3/31/2012**  
**M&I Portfolio**

Description	Maturity Date	Quantity	Cost	Market	Unrealized Gain/Loss
M&I Cash	N/A	2	\$ 2	\$ 2	\$ -
Marshall Government MM	N/A	29,982	29,982	29,982	-
<b>Subtotal Cash &amp; Cash Equivalent</b>		<b>29,984</b>	<b>29,984</b>	<b>29,984</b>	<b>\$ -</b>

FHLB 1.375 5/28/2014	5/28/2014	100,000	102,441	102,186	(255)
FHLB 1.625 3/20/2013	3/20/2013	175,000	178,124	177,387	(737)
FHLB 1.625 9/28/2015	9/28/2015	150,000	153,951	154,179	228
FHLB 1.63 8/20/2015	8/20/2015	200,000	205,892	206,104	212
FHLB 1.875 6/20/2012	6/20/2012	300,000	300,222	301,137	915
FHLB 2.125 6/10/2016	6/10/2016	100,000	104,263	105,016	753
FHLB 2.25 4/13/2012	4/13/2012	300,000	304,326	300,195	(4,131)
FHLB 2.5 6/13/2014	6/13/2014	80,000	83,703	83,581	(122)
FHLMC 1 8/27/2014	8/27/2014	150,000	152,241	151,940	(301)
FHLMC 1.75 9/10/2015	9/10/2015	150,000	155,229	155,111	(118)
FHLMC 2 8/25/2016	8/25/2016	150,000	155,282	155,939	657
FHLMC 2.875 2/9/2015	2/9/2015	125,000	129,478	133,196	3,719
FNMA 0.375 12/28/2012	12/28/2012	110,000	109,574	110,212	638
FNMA 1 9/23/2013	9/23/2013	100,000	100,772	100,945	173
FNMA 1.125 10/8/2013	10/8/2013	150,000	152,106	151,829	(278)
FNMA 1.125 6/27/2014	6/27/2014	85,000	85,283	86,537	1,254
FNMA 1.25 1/30/2017	1/30/2017	300,000	299,881	301,080	1,199
FNMA 1.25 9/28/2016	9/28/2016	100,000	100,064	100,680	616
FNMA 1.35 2/24/2014	2/24/2014	65,000	65,358	66,190	832
FNMA 1.375 11/15/2016	11/15/2016	150,000	152,354	151,944	(410)
FNMA 1.5 10/28/2015	10/28/2015	100,000	102,133	102,086	(47)
FNMA 1.5 9/8/2014-12	9/8/2014	175,000	179,207	178,581	(627)
<b>Subtotal Government Agency Coupon Securities</b>		<b>3,315,000</b>	<b>\$ 3,371,882</b>	<b>\$ 3,376,052</b>	<b>\$ 4,170</b>

T-Note 0.625 4/30/2013	4/30/2013	100,000	100,360	100,434	74
T-Note 0.75 12/15/2013	12/15/2013	150,000	148,407	151,119	2,712
T-Note 0.75 6/15/2014	6/15/2014	150,000	150,006	151,196	1,189
T-Note 0.75 9/15/2013	9/15/2013	25,000	24,923	25,170	247
T-Note 0.75 9/15/2013	9/15/2013	100,000	100,024	100,680	656
T-Note 1.125 12/15/2012	12/15/2012	150,000	151,172	151,002	(170)
T-Note 1.25 10/31/2015	10/31/2015	50,000	48,381	51,004	2,623
T-Note 1.25 10/31/2015	10/31/2015	75,000	72,487	76,506	4,019
T-Note 1.25 4/15/2014	4/15/2014	150,000	152,297	152,708	410
T-Note 1.375 3/15/2013	3/15/2013	150,000	151,682	151,647	(35)
T-Note 1.375 5/15/2013	5/15/2013	100,000	101,754	101,262	(492)
T-Note 1.5 6/30/2016	6/30/2016	150,000	148,313	153,996	5,683
T-Note 1.75 1/31/2014	1/31/2014	75,000	75,932	76,946	1,014
T-Note 1.75 7/31/2015	7/31/2015	60,000	61,538	62,227	689
T-Note 1.75 7/31/2015	7/31/2015	50,000	49,522	51,856	2,334
T-Note 1.75 7/31/2015	7/31/2015	40,000	39,995	41,484	1,489
T-Note 2.375 9/30/2014	9/30/2014	50,000	51,692	52,387	695
T-Note 2.375 9/30/2014	9/30/2014	100,000	103,035	104,774	1,739
<b>Subtotal US Treasury Notes</b>		<b>\$ 1,725,000</b>	<b>\$ 1,731,520</b>	<b>\$ 1,756,396</b>	<b>\$ 24,876</b>

<b>TOTAL M&amp;I WEALTH MANAGEMENT PORTFOLIO</b>	<b>5,069,984</b>	<b>\$ 5,133,386</b>	<b>\$ 5,162,432</b>	<b>\$ 29,046</b>
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<b>Diversification:</b>					
Cash & Cash Equivalents	1%	29,984	29,984	29,984	-
Government Agency Securities	65%	3,315,000	3,371,882	3,376,052	4,170
US Treasury Notes	34%	1,725,000	1,731,520	1,756,396	24,876
<b>Total M&amp;I PORTFOLIO</b>	<b>100%</b>	<b>5,069,984</b>	<b>\$ 5,133,386</b>	<b>\$ 5,162,432</b>	<b>\$ 29,046</b>

**Breakout by Agency Type:**

FHLB	\$ 1,429,785
FHLMC	596,185
FNMA	1,350,083
Treasury Note	1,756,396
<b>\$ 5,132,448</b>	

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

0-3 month	\$ 631,316
3 - 6 month	-
6 - 12 month	590,248
1 - 2 year	874,574
2 - 3 year	1,197,084
3 - 4 year	900,556
4 - 5 year	968,654
<b>\$ 5,162,432</b>	

**Portion Callable or Mature within 2 years**

Callable	\$ 178,580
Maturity	2,096,138
<b>\$ 2,274,718</b>	