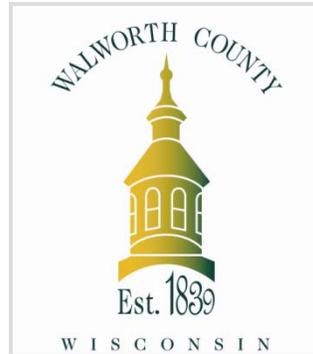


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# **WALWORTH COUNTY, WISCONSIN**

## **QUARTERLY INVESTMENT REPORT**

**September 30, 2013**



**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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**TABLE OF CONTENTS**

EXECUTIVE SUMMARY ..... 1

INVESTMENT OVERVIEW AND OBJECTIVES ..... 2

REQUIREMENTS & COMPLIANCE..... 3

BUDGET PERFORMANCE..... 4

INVESTMENT BENCHMARKS ..... 5

TOTAL PORTFOLIO OVERVIEW ..... 6

LOCAL GOVERNMENT INVESTMENT POOL OVERVIEW ..... 7 - 8

MONEY MARKET OVERVIEW ..... 8

CERTIFICATES OF DEPOSIT OVERVIEW ..... 9

SECURITIES/DEBT PORTFOLIO OVERVIEW ..... 10

RESTRICTED ACCOUNTS OVERVIEW (not including OPEB Trust)..... 11

**APPENDIX**

INVESTMENT PORTFOLIO VALUATION AT COST ..... A

PERSHING HOLDINGS..... B

BMO PORTFOLIO HOLDINGS ..... C

**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.
- Our investment portfolio is now almost entirely comprised of investments made during the low interest environment. The speculative rise in rates at the beginning of the third quarter mostly receded by the end of the quarter. The Finance department continues to follow economic news and seek input from brokers and advisors on near and long-term investment yield potential.
- 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 0.12%.
- Current collateralized money market yields are as follows Mid-America 0.57%, Associated 0.20%, and Chase 0.15%. The money markets provide the County with liquidity and offer a higher yield than a one year treasury currently yielding 0.10%.
- The investment portfolio with BMO is at \$5.2 million, yielding 0.80% annually, net of fees, not including market adjustments. Portfolio duration is currently 2.11 years to maturity, and contains \$3.8 million in agency securities, \$1.1 million in treasury notes, and \$0.3 million in the portfolio money market.
- The brokered portfolio held at Pershing is at \$32.1 million, yielding 0.87% (not including market adjustments) annually which includes \$25.0 million in agency securities and \$7.1 million in municipal debt. Portfolio duration is currently 2.77 years to maturity.
- The OPEB Trust will be reviewed separately from our operating investment portfolio, as this information is invested with a different investment philosophy due to its long term nature.

## 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.

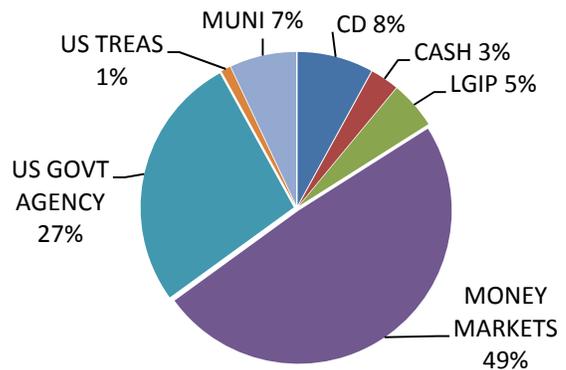
**PUBLIC FUNDS MONEY MARKET ACCOUNT** – The County has approved by resolution Public Funds money markets that are secured by collateral. These investments are used to provide short-term diversification and increase the current yields.

**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 \$26,898,000.	Current investment holdings comply
Financial Institutions Limits	Investments held at any one institution shall be limited to 50% of the core portfolio, currently \$26,898,000.	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.	\$ 51.3 million or 49%
<b>Reinvestment Risk</b>	Callable securities shall not exceed 50% of securities held.	\$ 10.9 million or 29%
<b>Market Risk:</b>		
Maturity Restrictions	Investments greater than 3 months and less than 1 year shall not exceed 95% of the total portfolio.	\$ 8.0 million or 8%
	Investments greater than 1 year and less than 5 years shall not exceed 100% of the core portfolio, currently \$53,796,000.	\$ 37.3 million or 69%

INVESTMENT CATEGORY	MAXIMUM MATURITY	AUTHORIZED LIMIT	ACTUAL PORTFOLIO
Certificates of Deposit	3 years	50%	8%
Operating Cash	N/A	N/A	3%
LGIP	N/A	75%	5%
Money Markets	N/A	95%	49%
U.S. Agency Securities	5 years	75%	27%
U.S. Treasury Securities	5 years	75%	1%
Municipal Debt	5 years	25%	7%

INVESTMENT TYPE	MARKET VALUE
Certificates of Deposit	\$ 8,777,000
Cash - Depository Bank	2,960,000
LGIP	5,674,000
Money Markets	50,617,000
Portfolio Money Markets	292,000
U.S. Gov. Agency Securities	28,814,000
U.S. Treasury Securities	1,116,000
Municipal Debt	7,103,000
<b>Total</b>	<b>\$ 105,353,000</b>



## BUDGET PERFORMANCE

The first table below shows the actual and budgeted interest earned for the quarter ended September 30, 2013 by investment type. The second table below shows the actual and budgeted interest earned for the quarter ended September 30, 2013 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.

INVESTMENT TYPE	INTEREST EARNED	3rd QTR 2013 BUDGET
Certificate of Deposit	\$ 45,761	\$ 45,000
U.S. Treasury/Govt. Agency	209,616	207,500
Local Gov Inv Pool (LGIP)	15,282	7,500
Depository Bank (Sweep)	3,380	2,250
Money Markets	84,446	76,645
Other Accounts Allocated Interest	(30,502)	(20,145)
<b>TOTAL NON-DEPT</b>	<b>\$ 327,983</b>	<b>\$ 318,750</b>
YTD Unrealized Gain/(Loss)*	\$ (235,831)	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 \$1,184,113.

ACCOUNT NAME	INTEREST EARNED	3rd QTR 2013 BUDGET
Non-Department	\$ 327,983	\$ 318,750
Children with Disabilities Ed Bd	9,620	3,461
DPW Buildings Reserve	282	285
DPW Equipment Reserve	1,832	900
Health Insurance	13,232	10,500
Dental Insurance	459	300
Workers Compensation	2,002	1,725
Risk Management	3,075	1,500
<b>TOTAL PORTFOLIO</b>	<b>\$ 358,485</b>	<b>\$ 337,421</b>
<b>Budget to Actual Variance</b>		\$ 21,064

- The non-departmental budget through the third quarter is \$318,750. Although returns have exceeded budget to date, we are entering the low portfolio quarter of the year and thus expect to be at or around the budgeted interest income level by the end of the year.
- By diversifying into other investment vehicles, we have been able to increase the County's yields by more than four times the LGIP benchmark. If the entire portfolio was invested at the benchmark rate, the forecasted interest earned to date in 2013 would have approximated \$86,198.
- Certificates of deposit currently held on September 30, 2013 have an average return of 0.60%.
- Securities held on September 30, 2013 have a yield to maturity at cost of 0.87% for our brokered securities and 0.80% at the BMO managed portfolio, net of 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 September 30, 2013. The interest income amount does not include unrealized gains or losses.

Investment Portfolio	Benchmark (LGIP)	Actual
Current Holdings – Yield to Maturity at Cost	0.06%	0.47%
Year to Date Interest Income Net of Fees	\$ 86,198	\$ 355,894
3rd Quarter Average Return at Cost	0.02%	0.10%
Rolling 1 Year Average Return at Cost	0.12%	0.46%

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.

**BMO Benchmark**

To review the performance of the BMO 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 BMO Short-term Portfolio holdings allow by the County's investment policy. The following shows the comparison of the BMO Short-term Portfolio to the benchmark selected, net of investment fees.

Time Period	Benchmark*	Actual*
2012, 4 <sup>th</sup> Quarter	0.15%	0.10%
2013, 1 <sup>st</sup> Quarter	0.12%	0.06%
2013, 2 <sup>nd</sup> Quarter	(0.11)%	(0.64)%
<b>2013, 3<sup>rd</sup> Quarter</b>	<b>0.29%</b>	<b>0.39%</b>

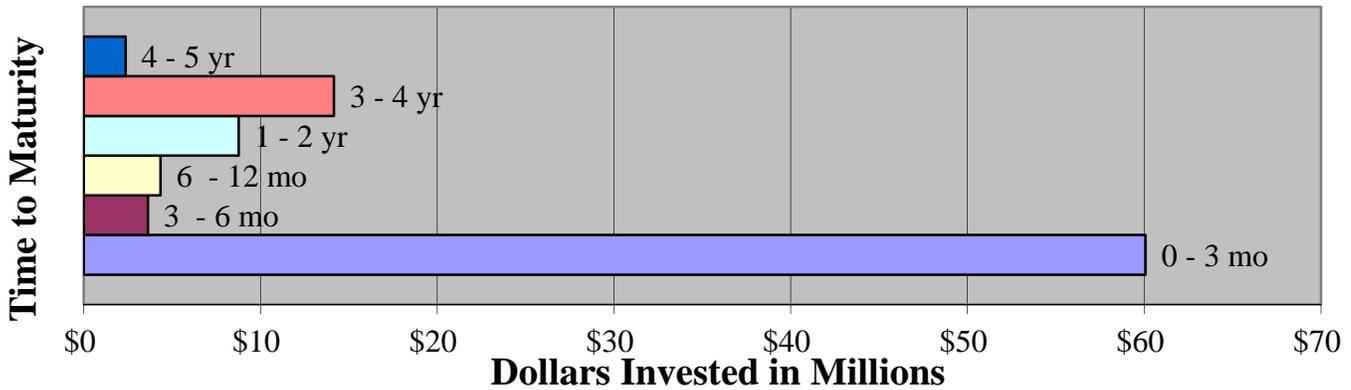
**\*Note:** Yields shown include unrealized gains or losses on securities which are usually not sold prior to maturity or estimated life of the security. See the U.S Government Agency/Treasury Securities Overview section on page 10 for actual return on investment.

**Portfolio Advisor Response:** “During the quarter ended 9/30/13, the Walworth County portfolio returned 0.39% net of fees, ahead of the Barclay's 1-3 year Government Index return of 0.29%. Interest rates crept higher during the quarter, then retreated and stabilized following the Federal Reserve's announcement on September 18th to continue purchasing \$85 Billion per month of Treasury and MBS. The consensus amongst economists, strategists, and investors had been for a 'tapering' of these purchases by an expected \$10 billion per month. With Congress then failing to reach a budget agreement and a government shutdown beginning, the Fed alluded to concerns on economic growth, employment and potential fiscal drag as reasons not to act-- for now. Our current expectation is that the Fed will not begin to taper until spring and that the process will continue throughout much of next year. In this environment, short-term interests are likely to remain near-zero until at least mid-2015. With little ability to generate yield in a high-quality, short duration portfolio, we are maintaining our bias toward Agency securities, which represent 73.3% of portfolio assets, as a way to generate a modest amount of incremental yield.”

- Annette E. Hellmer, BMO Wealth Management, November 1, 2013

TOTAL PORTFOLIO OVERVIEW

**Total Investments by Maturity**



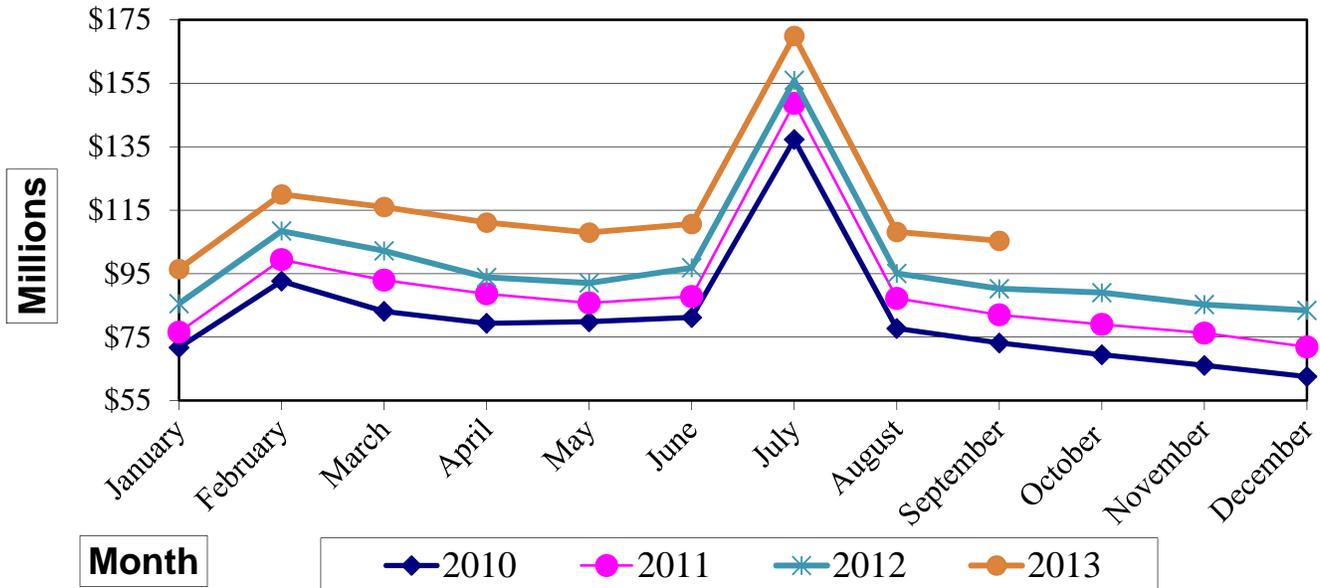
TOTAL PORTFOLIO OVERVIEW – HISTORICAL BALANCES

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>2011</u>	<u>2012</u>	<u>2013</u>
Cash (1 year)	\$89,670,000	\$98,145,000	\$108,605,000
Cumulative Cash (3 year)	\$82,758,000	\$89,660,000	\$ 97,151,000

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.

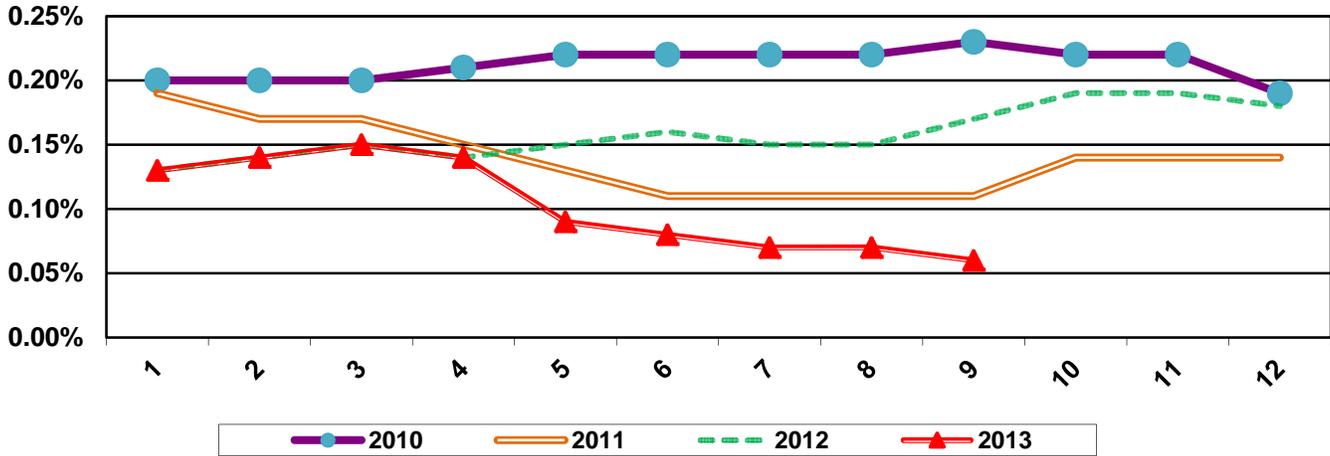
**Liquidity Considerations**

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 \$17.2 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	0.57%	\$ 8,270,043
JPMorgan Chase Bank	Collateralized Money Market	0.15%	21,099,451
Associated Bank	Collateralized Money Market	0.20%	21,246,437
BMO Portfolio Money Market	Government Money Market	0.01%	277,710
Pershing Money Market	Portfolio Money Market	0.00%	15,250
<b>Total Money Market</b>		<b>0.24%</b>	<b>\$ 50,908,891</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 0.50% higher than the prior month LGIP rate. These funds are collateralized and available with one week notice. We are currently investing the maximum balance that Mid America Bank will allow.

**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 %
FirstMerit Bank	12/7/2011	12/7/2013	\$ 225,000	1.06%
Citizens Bank of Mukwonago	1/8/2012	1/8/2014	225,000	1.00
FirstMerit Bank	2/8/2012	2/8/2014	225,000	0.76
Associated Bank	2/22/2013	2/22/2014	1,000,000	0.20
FirstMerit Bank	2/26/2013	2/26/2014	1,000,000	0.20
Talmer Bank & Trust	4/25/2013	4/25/2014	225,000	0.20
Associated Bank	6/28/2012	6/27/2014	1,000,000	0.46
Talmer Bank & Trust	8/16/2012	8/6/2014	225,000	0.45
First Citizens State Bank	8/16/2012	8/16/2014	226,913	0.85
Associated Bank	11/17/2011	11/13/2014	1,500,000	1.21
Commercial Bank	12/7/2012	12/7/2014	225,000	0.30
Associated Bank	2/22/2013	2/23/2015	1,000,000	0.36
First Citizens State Bank	2/23/2013	2/23/2015	225,000	0.60
Southern Lakes Credit Union	1/15/2013	7/11/2015	250,000	0.80
Citizens Bank of Mukwonago	8/7/2013	8/7/2015	225,000	0.75
Associated Bank	8/7/2013	8/3/2016	1,000,000	0.71
<b><i>Yield to Maturity at September 30, 2013</i></b>			<b>\$ 8,776,913</b>	<b>0.60%</b>

During the third quarter, \$1,226,913 of certificates of deposit were purchased, and \$3,225,000 of certificates of deposit matured. The average duration of the certificates of deposit at September 30, 2013 is 1.09 years.

Although we continue to solicit CD bids, financial institutions have been unresponsive or offering lower than Agency Security interest rates. Financial institutions have shared that they do not need additional cash flow due to excess liquidity.

### 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 BMO 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
BMO Portfolio	\$ 5,181,264	\$ 5,212,172	\$ 30,908	\$ (39,834)	0.80%	2.11
Pershing Portfolio	\$32,203,106	\$32,113,772	\$(89,334)	\$(195,997)	0.87%	2.77
<b>Total Securities</b>	<b>\$37,384,370</b>	<b>\$37,325,944</b>	<b>\$(58,426)</b>	<b>\$(235,831)</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.

#### BMO 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. BMO does not charge commission fees per trade transaction. The cost is 20 basis points annually with a minimum balance of \$5 million.

#### Pershing Portfolio

The County works with four 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 third quarter, \$3,000,000 of agency securities were purchased, \$3,000,000 matured, and \$1,000,000 were called. We also purchased \$1,595,000 of municipal debt and had \$825,000 mature.

**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 2013</b>	<b>3rd QTR 2013 BUDGET</b>
Land Information Fees	\$ 424	\$ 450
Risk Management	5,473	1,500
Clerk of Courts	792	2,625
Waddell Donations	65	63
Harrison Trust	30	-
<b>Total</b>	<b>\$ 6,784</b>	<b>\$ 4,638</b>

**WALWORTH COUNTY INVESTMENT REPORT**  
**VALUATION AT COST**  
**As of 09/30/2013**

**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	Pershing Portfolio	BMO Portfolio	JP Morgan Chase Banking	Total Investments
<b>2012</b> 4th Quarter	0.05%	0.18%	0.20%	0.04%	0.06%	0.24%	0.21%	0.04%	0.15%
<b>2013</b> 1st Quarter	0.03%	0.16%	0.16%	0.04%	0.04%	0.21%	0.14%	0.04%	0.11%
2nd Quarter	0.03%	0.16%	0.13%	0.04%	0.05%	0.18%	0.24%	0.04%	0.10%
<b>3rd Quarter</b>	<b>0.02%</b>	<b>0.15%</b>	<b>0.14%</b>	<b>0.04%</b>	<b>0.05%</b>	<b>0.20%</b>	<b>0.25%</b>	<b>0.06%</b>	<b>0.10%</b>
<b>One Year Ending</b>									
<b>2012</b> 4th Quarter	0.17%	0.66%	1.03%	0.16%	0.24%	1.03%	0.74%	0.16%	0.59%
<b>2013</b> 1st Quarter	0.16%	0.66%	0.88%	0.16%	0.22%	0.97%	0.71%	0.16%	0.54%
2nd Quarter	0.15%	0.66%	0.70%	0.16%	0.21%	0.88%	0.75%	0.16%	0.48%
<b>3rd Quarter</b>	<b>0.12%</b>	<b>0.65%</b>	<b>0.63%</b>	<b>0.16%</b>	<b>0.20%</b>	<b>0.83%</b>	<b>0.84%</b>	<b>0.18%</b>	<b>0.46%</b>

**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	Pershing Portfolio	BMO Portfolio	JP Morgan Chase Banking	Total Investments
<b>2012</b> 4th Quarter	3,990	14,462	22,785	2,156	10,437	66,199	10,961	893	131,883
<b>2013</b> 1st Quarter	6,735	12,925	16,986	4,004	7,046	57,634	7,510	905	113,745
2nd Quarter	3,869	12,914	15,495	7,623	8,865	52,321	12,662	799	114,548
<b>3rd Quarter</b>	<b>4,679</b>	<b>12,207</b>	<b>13,280</b>	<b>8,130</b>	<b>10,728</b>	<b>63,737</b>	<b>13,163</b>	<b>1,677</b>	<b>127,600</b>
<b>One Year Ending</b>									
<b>2012</b> 4th Quarter	20,587	60,482	125,746	17,523	41,553	261,984	38,516	4,434	570,825
<b>2013</b> 1st Quarter	22,520	57,169	102,232	17,869	39,905	256,516	37,203	4,465	537,879
2nd Quarter	23,962	53,673	80,109	20,008	37,130	244,895	39,507	4,400	503,684
<b>3rd Quarter</b>	<b>19,272</b>	<b>52,509</b>	<b>68,546</b>	<b>21,913</b>	<b>37,076</b>	<b>239,891</b>	<b>44,297</b>	<b>4,273</b>	<b>487,777</b>

**Average Daily Balance**

Time Period	Local Gov Investment Pool	Mid Amer Money Market	CD	Chase Money Market	Associated Bank Money Market	Pershing Portfolio	BMO Portfolio	JP Morgan Chase Banking	Total Investments
<b>2012</b> 4th Quarter	8,402,485	8,222,540	11,606,053	5,529,619	17,168,165	28,087,897	5,219,532	2,329,385	86,565,677
<b>2013</b> 1st Quarter	19,356,880	8,236,721	10,860,980	11,263,883	18,222,416	27,624,872	5,219,607	2,412,503	103,197,863
2nd Quarter	14,012,276	8,249,688	11,827,028	20,487,538	19,256,611	28,982,579	5,225,594	2,107,497	110,148,810
<b>3rd Quarter</b>	<b>27,236,513</b>	<b>8,262,147</b>	<b>9,292,804</b>	<b>21,094,176</b>	<b>21,282,304</b>	<b>31,936,395</b>	<b>5,195,413</b>	<b>2,731,920</b>	<b>127,031,673</b>
<b>One Year Ending</b>									
<b>2012</b> 4th Quarter	13,262,510	9,146,093	12,192,145	11,673,311	16,762,011	25,865,142	5,192,487	2,907,188	97,000,887
<b>2013</b> 1st Quarter	14,723,011	8,664,790	11,670,606	11,999,847	17,813,964	26,807,664	5,206,215	2,935,549	99,821,647
2nd Quarter	16,615,747	8,229,397	11,569,892	13,440,113	17,946,081	28,017,166	5,217,490	2,892,680	103,928,566
<b>3rd Quarter</b>	<b>17,249,381</b>	<b>8,242,788</b>	<b>10,894,363</b>	<b>14,595,903</b>	<b>18,985,787</b>	<b>29,166,817</b>	<b>5,214,983</b>	<b>2,396,021</b>	<b>106,746,043</b>

<b>Comparison to Benchmark:</b>		
Description	LGIP	Portfolio
Rate of Return - Quarterly	0.02%	0.10%
Rate of Return - Annualized	0.12%	0.46%

**Walworth County Investment Report**  
**Portfolio Holdings as of 09/30/2013**  
Pershing (Custodian for Broker/Dealer Transactions)

Description	Maturity	Quantity	Cost	Market	Unrealized Gain/Loss-BV
Pershings MM	N/A	15,250	\$ 15,250	\$ 15,250	\$ -
<b>Subtotal Cash &amp; Cash Equivalent</b>		<b>15,250</b>	<b>\$ 15,250</b>	<b>\$ 15,250</b>	<b>\$ -</b>

FAMC 2 7/27/2016	7/27/2016	500,000	\$ 520,014	\$ 516,945	\$ (3,069)
FFCB 0.36 8/14/2015	8/14/2015	500,000	500,247	499,940	(307)
FFCB 0.6 4/25/2017	4/25/2017	1,000,000	999,126	985,450	(13,676)
FFCB 1.05 3/28/2016	3/28/2016	1,000,000	999,938	1,012,680	12,742
FFCB 1.07 9/12/2016	9/12/2016	1,000,000	1,000,000	1,010,060	10,060
FHLB 1.375 12/11/2015	12/11/2015	500,000	510,700	509,685	(1,015)
FHLB 2.125 6/10/2016	6/10/2016	1,000,000	1,041,548	1,038,520	(3,028)
FHLMC 0.45 11/24/2015	11/24/2015	1,000,000	1,001,110	998,920	(2,190)
FHLMC 0.7 5/8/2017-15	5/8/2017	1,500,000	1,501,013	1,475,580	(25,433)
FHLMC 0.7 5/8/2017-15	5/8/2017	1,000,000	978,430	983,720	5,290
FHLMC 1 3/14/2016-14	3/14/2016	1,000,000	997,842	1,003,230	5,388
FHLMC 1 6/29/2017	6/29/2017	500,000	494,814	498,850	4,036
FHLMC 1 9/27/2017	9/27/2017	1,000,000	1,002,200	988,150	(14,050)
FHLMC 1 9/29/2017	9/29/2017	500,000	490,833	495,750	4,917
FNMA 0.375 12/21/2015	12/21/2015	1,000,000	999,449	997,350	(2,099)
FNMA 0.5 9/28/2015	9/28/2015	1,000,000	1,000,077	1,001,820	1,743
FNMA 1 2/27/2017-15	2/27/2017	1,000,000	1,006,295	1,000,080	(6,215)
FNMA 1 4/25/2017	4/25/2017	1,000,000	1,000,000	989,100	(10,900)
FNMA 1 6/27/2016-13	6/27/2016	500,000	502,825	500,945	(1,880)
FNMA 1.125 4/27/2017	4/27/2017	1,000,000	1,012,104	1,003,450	(8,654)
FNMA 1.25 1/30/2017	1/30/2017	500,000	509,670	505,605	(4,065)
FNMA 1.5 10/28/2016-13	10/28/2016	1,000,000	1,000,000	1,000,910	910
FNMA 1.5 9/26/2017-14	9/26/2017	1,000,000	999,751	1,006,560	6,809
FNMA 1.625 10/26/2015	10/26/2015	1,000,000	1,023,475	1,024,460	985
FNMA Step 5/15/2018-13	5/15/2018	2,000,000	1,999,168	1,963,380	(35,788)
FNMA Step 7/26/2017-13	7/26/2017	1,000,000	1,000,000	987,900	(12,100)
FNMA Step 7/26/2017-13	7/26/2017	1,000,000	999,809	996,060	(3,749)
<b>Subtotal Government Agency Coupon Securities</b>		<b>25,000,000</b>	<b>\$ 25,090,438</b>	<b>\$ 24,995,100</b>	<b>\$ (95,338)</b>

City of Monona 2 10/1/2017	10/1/2017	300,000	\$ 311,709	\$ 306,264	\$ (5,445)
East Troy WI School District 4.25 3/1/2015	3/1/2015	400,000	420,839	418,224	(2,615)
Milwaukee Area Tech College 2 6/1/2014	6/1/2014	350,000	353,740	353,598	(142)
Milwaukee Area Tech College 2 6/1/2015	6/1/2015	250,000	255,798	256,298	500
Milwaukee Area Tech College 2 6/1/2015	6/1/2015	500,000	511,769	511,375	(394)
Milwaukee Area Tech College 2 6/1/2016	6/1/2016	500,000	513,122	516,345	3,223
Milwaukee Area Tech College 2 6/1/2016	6/1/2016	355,000	366,880	365,181	(1,699)
Ozaukee County 2 3/1/2015	3/1/2015	245,000	250,001	250,608	607
Ozaukee County 2 3/1/2016	3/1/2016	200,000	205,484	206,612	1,128
Pewaukee Wisconsin 2 3/1/2014	3/1/2014	110,000	110,000	110,700	700
Racine County School District 2.55 6/1/2015	6/1/2015	285,000	285,000	292,447	7,447
Waupaca County 2 3/1/2014	3/1/2014	930,000	933,820	935,971	2,151
Winnebago County 2 4/1/2014	4/1/2014	1,255,000	1,265,108	1,265,617	509
Winnebago County 2 4/1/2015	4/1/2015	1,285,000	1,314,148	1,314,182	34
<b>Subtotal Municipal Debt</b>		<b>6,965,000</b>	<b>\$ 7,097,418</b>	<b>\$ 7,103,422</b>	<b>\$ 6,004</b>

<b>TOTAL PERSHING PORTFOLIO</b>	<b>31,980,250</b>	<b>\$ 32,203,106</b>	<b>\$ 32,113,772</b>	<b>\$ (89,334)</b>
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**Diversification:**

Cash & Cash Equivalents	1%	15,250	\$ 15,250	\$ 15,250	\$ -
Government Agency Securities	77%	25,000,000	25,090,438	24,995,100	(95,338)
US Treasury Notes	0%	-	-	-	-
Municipal Debt	22%	6,965,000	7,097,418	7,103,422	6,004
<b>Total PERSHING PORTFOLIO</b>	<b>100%</b>	<b>31,980,250</b>	<b>\$ 32,203,106</b>	<b>\$ 32,113,772</b>	<b>\$ (89,334)</b>

**Breakout by Security Type:**

FAMC	\$ 516,945
FFCB	3,508,130
FHLB	1,548,205
FHLMC	6,444,200
FNMA	12,977,620
Municipal Debt	7,103,422
<b>\$ 32,098,522</b>	

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

0-3 month	\$ 15,250
3 - 6 month	1,046,670
6 - 12 month	1,619,215
1 - 2 year	4,544,894
2 - 3 year	9,700,934
3 - 4 year	13,223,429
4 - 5 year	1,963,380
<b>\$ 32,113,772</b>	

**Portion Callable or Mature within 2 years**

Callable	\$ 10,918,365
Maturity	7,226,029
<b>\$ 18,144,394</b>	

**Walworth County Investment Portfolio**  
**Portfolio Holdings as of 09/30/2013**  
**BMO Portfolio**

Description	Maturity Date	Quantity	Cost	Market	Unrealized Gain/Loss
BMO Cash	N/A	2	\$ 2	\$ 2	\$ -
BMO Government MM	N/A	277,710	277,710	277,710	-
<b>Subtotal Cash &amp; Cash Equivalent</b>		<b>277,712</b>	<b>\$ 277,712</b>	<b>\$ 277,712</b>	<b>\$ -</b>

FHLB 0.5 11/20/2015	11/20/2015	100,000	\$ 100,009	\$ 100,059	\$ 50
FHLB 1 6/21/2017	6/21/2017	175,000	176,699	175,212	(1,487)
FHLB 1.375 12/11/2015	12/11/2015	150,000	152,387	152,905	518
FHLB 1.375 5/28/2014	5/28/2014	100,000	100,597	100,837	240
FHLB 1.625 9/28/2015	9/28/2015	150,000	151,978	153,573	1,595
FHLB 1.63 8/20/2015	8/20/2015	200,000	203,083	204,882	1,799
FHLB 2.125 6/10/2016	6/10/2016	100,000	102,391	103,852	1,461
FHLB 2.5 6/13/2014	6/13/2014	80,000	80,872	81,338	466
FHLMC 0.875 3/7/2018	3/7/2018	100,000	100,290	97,784	(2,506)
FHLMC 1 3/8/2017	3/8/2017	150,000	149,718	150,465	747
FHLMC 1 8/27/2014	8/27/2014	150,000	150,669	151,209	540
FHLMC 1.75 9/10/2015	9/10/2015	150,000	152,520	154,029	1,509
FHLMC 2 8/25/2016	8/25/2016	150,000	153,051	155,427	2,376
FHLMC 2.875 2/9/2015	2/9/2015	125,000	126,480	129,482	3,002
FNMA 0.5 3/30/2016	3/30/2016	150,000	150,140	149,726	(414)
FNMA 0.875 10/26/2017	10/26/2017	200,000	200,271	197,332	(2,939)
FNMA 0.875 12/20/2017	12/20/2017	120,000	119,965	118,014	(1,951)
FNMA 1.125 10/8/2013	10/8/2013	150,000	150,022	150,031	9
FNMA 1.125 6/27/2014	6/27/2014	85,000	85,070	85,654	584
FNMA 1.25 1/30/2017	1/30/2017	300,000	299,918	303,363	3,445
FNMA 1.25 9/28/2016	9/28/2016	150,000	151,906	152,289	383
FNMA 1.25 9/28/2016	9/28/2016	100,000	100,038	101,526	1,488
FNMA 1.35 2/24/2014	2/24/2014	65,000	65,052	65,334	282
FNMA 1.375 11/15/2016	11/15/2016	150,000	151,923	152,616	693
FNMA 1.375 11/15/2016	11/15/2016	150,000	151,560	152,616	1,056
FNMA 1.5 10/28/2015	10/28/2015	100,000	101,078	102,075	997
FNMA 1.5 9/8/2014	9/8/2014	175,000	176,486	176,999	513
<b>Subtotal Government Agency Coupon Securities</b>		<b>3,775,000</b>	<b>\$ 3,804,173</b>	<b>\$ 3,818,629</b>	<b>\$ 14,456</b>

T-Note 0.75 12/15/2013	12/15/2013	150,000	\$ 149,877	\$ 150,222	\$ 345
T-Note 0.75 6/15/2014	6/15/2014	150,000	150,002	150,703	701
T-Note 1.25 10/31/2015	10/31/2015	50,000	49,308	50,932	1,624
T-Note 1.25 10/31/2015	10/31/2015	75,000	73,895	76,398	2,503
T-Note 1.25 4/15/2014	4/15/2014	150,000	150,443	150,955	512
T-Note 1.5 6/30/2016	6/30/2016	150,000	149,073	153,845	4,772
T-Note 1.75 1/31/2014	1/31/2014	75,000	75,106	75,429	323
T-Note 1.75 7/31/2015	7/31/2015	40,000	39,998	41,062	1,064
T-Note 1.75 7/31/2015	7/31/2015	50,000	49,809	51,327	1,518
T-Note 1.75 7/31/2015	7/31/2015	60,000	60,598	61,592	994
T-Note 2.375 9/30/2014	9/30/2014	100,000	100,808	102,244	1,436
T-Note 2.375 9/30/2014	9/30/2014	50,000	50,462	51,122	660
<b>Subtotal US Treasury Notes</b>		<b>1,100,000</b>	<b>\$ 1,099,379</b>	<b>\$ 1,115,831</b>	<b>\$ 16,452</b>

<b>TOTAL BMO WEALTH MANAGEMENT PORTFOLIO</b>	<b>5,152,712</b>	<b>\$ 5,181,264</b>	<b>\$ 5,212,172</b>	<b>\$ 30,908</b>
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Diversification:					
Cash & Cash Equivalents	6%	277,712	\$ 277,712	\$ 277,712	\$ -
Government Agency Securities	73%	3,775,000	3,804,173	3,818,629	14,456
US Treasury Notes	21%	1,100,000	1,099,379	1,115,831	16,452
Municipal Debt	0%	-	-	-	-
<b>Total BMO PORTFOLIO</b>	<b>100%</b>	<b>5,152,712</b>	<b>\$ 5,181,264</b>	<b>\$ 5,212,172</b>	<b>\$ 30,908</b>

**Breakout by Security Type:**

FHLB	\$ 1,072,658
FHLMC	838,396
FNMA	1,907,575
US Treasury Notes	1,115,831
	<b>\$ 4,934,460</b>

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

0-3 month	\$ 577,965
3 - 6 month	140,763
6 - 12 month	1,051,062
1 - 2 year	795,947
2 - 3 year	1,299,033
3 - 4 year	934,272
4 - 5 year	413,130
	<b>\$ 5,212,172</b>

**Portion Callable or Mature within 2 years**

Callable	\$ -
Maturity	2,565,737
	<b>\$ 2,565,737</b>