

EXECUTIVE SUMMARY

Walworth County's investment portfolio is maintained with prudent investment principles to enable the County to soundly meet its financial obligations. 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"), and to manage the portfolio within applicable laws.

The total investment portfolio is 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.
- 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 OPEB Trust is reviewed separately from our operating investment portfolio, as this portfolio is invested with a different investment philosophy due to its long term nature.
- Walworth County's total investment portfolio has fallen short of year to date budget expectations by \$18,452, net of fees. The non-departmental portion of the portfolio, which excludes interest allocated to reserves and donations based on the LGIP rate, however, has exceeded year to date budget expectations by \$237,225.
- The US Federal Reserve (FED) cut interest rates by 0.50% on March 3, 2020 and an additional 1.00% on March 15 2020 due to the COVID-19 pandemic, reducing the target interest rate range to 0% - 0.25%. The Federal Reserve Board reiterated at the September, 2020 FOMC meeting that it does not expect to increase interest rates until 2023. As a result, the County has been reinvesting funds at lower yields than were previously achieved.
- Since peaking at 2.49% on 04/30/2019, LGIP rates have declined to 0.13% as of 09/30/2020. 2020 fixed income purchases have a 3.58 year weighted average duration and a yield to maturity of 1.05%. Yields are expected to fall as funds mature and are reinvested at lower rates.
- US Treasury interest rate for the five year term, the longest we may invest, has declined from 1.69% on 12/31/2019 to 0.28% on 9/30/2020. Over the last five years, between 10/1/2015 and 9/30/2020, the five year US Treasury yield has averaged 1.75%, with a low of 0.19% and a high of 3.09%.

Total Investment Portfolio¹ as of September 30, 2020	Actual²	Benchmark³	Budget⁴
Year to Date Interest Income Net of Fees	\$ 1,400,844	\$ 675,640	\$ 1,419,296
Current Holdings - Yield to Maturity at Cost	0.86%	0.13%	n/a
3rd Quarter Average Return at Cost Annualized	0.80%	0.13%	1.12%
Year to Date Rate of Return at Cost Annualized	1.22%	0.59%	1.23%
Rolling 1 Year Average Return at Cost	1.43%	0.88%	1.28%

¹ Total investment portfolio, as defined, includes allocated interest but excludes restricted accounts.

² The interest income amount is net of fees, and does not include unrealized gains or losses.

³ The County has selected the Local Government Investment Pool (LGIP) rate as the achievement benchmark for the total investment portfolio.

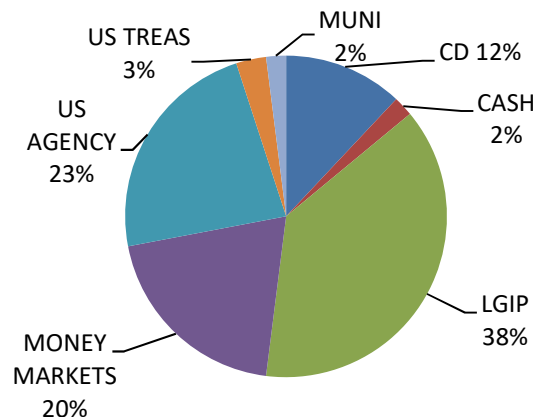
⁴ The budget rates of return are calculated based on budgeted amounts and the actual average daily balance for the total investment portfolio.

REQUIREMENTS AND COMPLIANCE

ITEM	DESCRIPTION OF REQUIREMENT	ACTUAL PORTFOLIO
Credit Risk:		
Collateral Policy	Investments other than U.S. Treasury backed securities or investments not under FDIC or WI guarantee shall be collateralized for a minimum of 102-110% of the deposits.	Current financial institutions comply
Security Diversification	No single agency shall hold more than 50% of the core portfolio, currently \$36,232,500.	Current investment holdings comply
Financial Institutions Limits	Investments held at any one institution shall be limited to 50% of the core portfolio, currently \$36,232,500.	All institutions comply
Debt Limits	Government debt investments in any one entity shall be limited to \$3 million.	All institutions comply
Liquidity Risk	Liquid cash shall be maintained at \$10 million and available with 1 day notice.	\$ 66.7 million or 44%
Reinvestment Risk	Callable securities shall not exceed 50% of securities held.	\$ 15.0 million or 36%
Market Risk:		
Maturity Restrictions	Investments greater than 3 months and less than 1 year shall not exceed 95% of the total portfolio.	\$ 13.3 million or 9%
	Investments greater than 1 year and less than 5 years shall not exceed 100% of the core portfolio, currently \$72,465,000.	\$ 40.9 million or 56%

INVESTMENT CATEGORY	MAXIMUM MATURITY	AUTHORIZED LIMIT	ACTUAL PORTFOLIO
Certificates of Deposit	3 years	50%	12%
Operating Cash	N/A	N/A	2%
LGIP	N/A	75%	38%
Money Markets	N/A	95%	20%
U.S. Agency Securities	5 years	75%	23%
U.S. Treasury Securities	5 years	75%	3%
Municipal Debt	5 years	25%	2%

INVESTMENT TYPE	MARKET VALUE (in thousands)
Certificates of Deposit	\$ 18,731
Cash - Depository Bank	3,294
LGIP	57,193
Money Markets	29,913
Portfolio Money Market	8
U.S. Agency Securities	33,942
U.S. Treasury Securities	5,096
Municipal Debt	2,630
Total	\$ 150,807



WALWORTH COUNTY INVESTMENT PORTFOLIO
VALUATION AT COST
As of 9/30/2020

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	Advia CU Money Market	CD	Operating Bank Money Market	Associated Bank Money Market	Huntington Portfolio	Operating Bank Checking/ Sweep	Total Investments
2019 4th Quarter	0.44%	0.55%	0.63%	0.28%	0.51%	0.50%	0.04%	0.50%
2020 1st Quarter	0.34%	0.47%	0.60%	0.32%	0.35%	0.48%	0.02%	0.44%
2nd Quarter	0.07%	0.31%	0.58%	0.03%	0.03%	0.46%	-0.02%	0.29%
3rd Quarter	0.03%	0.15%	0.58%	0.01%	0.04%	0.40%	-0.03%	0.20%

One Year Ending

2019 4th Quarter	2.23%	2.61%	2.58%	1.70%	2.38%	1.85%	0.22%	2.15%
2020 1st Quarter	1.96%	2.35%	2.55%	1.64%	2.10%	1.91%	0.17%	2.05%
2nd Quarter	1.42%	1.98%	2.48%	1.15%	1.49%	1.92%	0.10%	1.78%
3rd Quarter	0.88%	1.48%	2.39%	0.64%	0.93%	1.84%	0.01%	1.43%

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

Time Period	Local Gov Investment Pool	Advia CU Money Market	CD	Operating Bank Money Market	Associated Bank Money Market	Huntington Portfolio	Operating Bank Checking/ Sweep	Total Investments
2019 4th Quarter	118,017	118,480	136,270	11,201	29,535	253,996	1,161	668,660
2020 1st Quarter	135,448	83,163	152,072	12,143	9,077	228,931	869	621,703
2nd Quarter	40,158	69,273	140,680	322	4	189,221	(807)	438,851
3rd Quarter	25,084	33,412	120,614	74	996	162,035	(1,925)	340,290

One Year Ending

2019 4th quarter	625,369	687,027	413,921	57,135	403,080	1,011,677	8,091	3,206,300
2020 1st Quarter	606,334	565,975	484,546	60,678	322,150	1,001,391	6,137	3,047,211
2nd Quarter	502,031	448,114	527,678	44,336	178,323	937,156	3,656	2,641,294
3rd Quarter	318,707	304,328	549,636	23,740	39,612	834,183	(702)	2,069,504

Average Daily Balance

Time Period	Local Gov Investment Pool	Advia CU Money Market	CD	Operating Bank Money Market	Associated Bank Money Market	Huntington Portfolio	Operating Bank Checking/ Sweep	Total Investments
2019 4th Quarter	26,664,299	21,365,379	21,482,649	4,000,000	5,795,398	50,482,017	2,914,578	132,704,320
2020 1st Quarter	39,283,027	17,834,544	25,271,102	3,780,220	2,556,906	48,187,090	5,153,361	142,066,250
2nd Quarter	57,025,067	22,480,507	24,161,730	1,000,000	11,593	41,555,248	3,858,570	150,092,715
3rd Quarter	74,512,685	22,823,987	20,965,034	1,000,000	2,642,692	40,929,670	5,589,728	168,463,796

One Year Ending

2019 4th Quarter	28,151,820	26,106,710	16,085,215	3,372,277	16,479,533	54,785,029	4,056,145	149,036,729
2020 1st Quarter	31,598,537	23,523,537	19,102,813	3,741,765	13,529,126	52,741,747	3,899,228	148,136,753
2nd Quarter	39,918,141	22,252,007	21,403,870	3,199,454	7,950,815	48,937,095	4,055,933	147,717,315
3rd Quarter	49,469,752	21,131,397	22,960,586	2,445,355	2,759,666	45,273,244	4,378,366	148,418,366

Comparison to Benchmark:		
Description	LGIP	Portfolio
Rate of Return - Quarterly	0.03%	0.20%
Rate of Return - Annualized	0.88%	1.43%