

## 3rd QUARTER 2021 FINANCIAL HIGHLIGHTS

Total Investment Portfolio as of September 30, 2021	Actual	Benchmark <sup>1</sup>	Budget <sup>2</sup>
Realized Year to Date Interest Income Net of Fees	\$ 617,949	\$ 72,439	\$ 641,039
Current Holdings - Yield to Maturity at Cost	0.50%	0.05%	n/a
3rd Quarter Average Return at Cost Annualized	0.40%	0.05%	0.46%
Year to Date Rate of Return at Cost Annualized	0.48%	0.06%	0.50%
Rolling 1 Year Average Return at Cost	0.57%	0.07%	0.55%
Average Weighted Duration in Years	0.88	n/a	n/a
<b>2021 Fixed Income Purchases To Date:</b>			
Average Weighted Duration: 3.60 Years	Weighted Yield to Maturity: 0.65%		

<sup>1</sup> The County has selected the Local Government Investment Pool (LGIP) rate as the achievement benchmark.

<sup>2</sup> The budget rates of return are calculated based on budgeted amounts and the actual average daily balance.

- *Budget Compliance:* Walworth County's total investment portfolio has fallen short of year to date budget expectations by \$23,090, net of fees. The non-departmental portion of the portfolio, which excludes interest allocated to reserves and donations based on the LGIP rate, has fallen short of year to date budget expectations by \$19,079 and is estimated to finish the year approximately \$55,000 under budget. The budget shortfall is due to a decrease in yields on investments from COVID-19 that have been slow to recover.
- *Budget Action Required:* County sales tax revenue will offset the \$55,000 expected interest income shortfall.
- *Unrealized Gains/Losses:* The County's unrealized loss as of September 30, 2021 is \$399,130. The County reserves funds in its investment market adjustment fund balance account in the event a yearend loss is incurred.

## MARKET PERSPECTIVE

- The U.S. 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%. As a result, the County has been reinvesting funds at lower yields than were previously achieved. The Federal Reserve Board, surveyed at the September, 2021 Federal Open Market Committee (FOMC), expects one rate hike in 2022.
- Since peaking at 2.49% on 04/30/2019, LGIP rates have declined to 0.05% as of 9/30/2021.
- U.S. Treasury interest rate for the five year term, the longest we may invest, is 0.98% as of 9/30/2021, after hitting a low during the pandemic of 0.19%. Over the last five years, between 10/1/2016 and 9/30/2021, the five year U.S. Treasury yield has averaged 1.62%, with a low of 0.19% and a high of 3.09%. Investment portfolio yields are expected to fall as funds mature and are reinvested at lower rates.

## TOTAL INVESTMENT PORTFOLIO EXECUTIVE SUMMARY

- *Definition:* 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 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.
- *Philosophy:* Walworth County's investment portfolio is maintained with prudent investment principles to enable the County to soundly meet its financial obligations. The key objectives 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. 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.

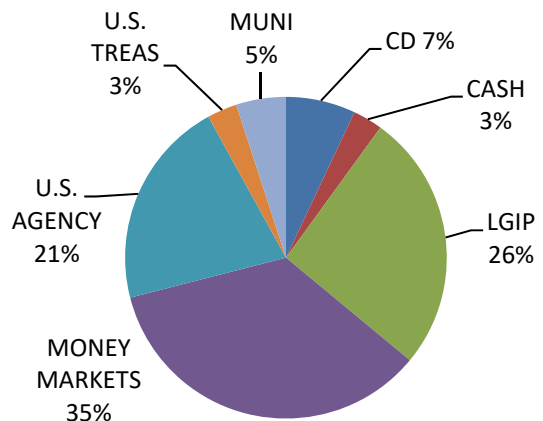
**REQUIREMENTS AND COMPLIANCE**

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.

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 \$33,703,500.	Current investment holdings comply
Financial Institutions Limits	Investments held at any one institution shall be limited to 50% of the core portfolio, currently \$33,703,500.	All institutions comply
Municipal Debt Limits	Debt investments held for any one governing district/municipality 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.	\$ 81.4 million or 50%
<b>Reinvestment Risk</b>	Callable securities shall not exceed 50% of securities held.	\$ 18.9 million or 39%
<b>Market Risk:</b>		
Maturity Restrictions	Investments greater than 3 months and less than 1 year shall not exceed 95% of the total portfolio.	\$ 11.2 million or 7%
	Investments greater than 1 year and less than 5 years shall not exceed 100% of the core portfolio, currently \$67,407,000.	\$ 43.6 million or 65%

INVESTMENT CATEGORY	MAXIMUM MATURITY	AUTHORIZED LIMIT	ACTUAL PORTFOLIO
Certificates of Deposit	3 years	50%	7%
Operating Cash	N/A	N/A	3%
LGIP	N/A	75%	26%
Money Markets	N/A	95%	35%
U.S. Agency Securities	5 years	75%	21%
U.S. Treasury Securities	5 years	75%	3%
Municipal Debt	5 years	25%	5%

INVESTMENT TYPE	MARKET VALUE (in thousands)
Certificates of Deposit	\$ 11,381
Cash - Depository Bank	4,305
LGIP	42,403
Money Markets	57,904
Portfolio Money Market	13
U.S. Agency Securities	34,203
U.S. Treasury Securities	5,568
Municipal Debt	8,284
<b>Total</b>	<b>\$ 164,061</b>



**WALWORTH COUNTY INVESTMENT PORTFOLIO**  
**VALUATION AT COST**  
**As of 09/30/2021**

**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
<b>2020</b> 4th Quarter	0.03%	0.13%	0.55%	0.00%	0.04%	0.33%	-0.05%	0.20%
<b>2021</b> 1st Quarter	0.02%	0.08%	0.55%	0.00%	0.03%	0.29%	-0.01%	0.15%
2nd Quarter	0.01%	0.07%	0.49%	0.00%	0.02%	0.24%	-0.02%	0.12%
<b>3rd Quarter</b>	<b>0.01%</b>	<b>0.07%</b>	<b>0.51%</b>	<b>0.00%</b>	<b>0.03%</b>	<b>0.23%</b>	<b>-0.05%</b>	<b>0.10%</b>

**One Year Ending**

<b>2020</b> 4th Quarter	0.47%	1.06%	2.31%	0.36%	0.46%	1.67%	-0.08%	1.13%
<b>2021</b> 1st Quarter	0.15%	0.67%	2.26%	0.04%	0.14%	1.48%	-0.11%	0.84%
2nd Quarter	0.09%	0.43%	2.17%	0.01%	0.13%	1.26%	-0.11%	0.67%
<b>3rd Quarter</b>	<b>0.07%</b>	<b>0.35%</b>	<b>2.10%</b>	<b>0.00%</b>	<b>0.12%</b>	<b>1.09%</b>	<b>-0.13%</b>	<b>0.57%</b>

**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
<b>2020</b> 4th Quarter	13,396	30,747	100,830	25	1,469	141,173	(1,415)	286,225
<b>2021</b> 1st Quarter	11,055	17,876	84,579	25	2,208	116,524	(727)	231,540
2nd Quarter	7,751	15,530	68,564	25	5,631	99,710	(952)	196,259
<b>3rd Quarter</b>	<b>8,471</b>	<b>15,577</b>	<b>66,712</b>	<b>25</b>	<b>8,487</b>	<b>93,124</b>	<b>(2,246)</b>	<b>190,150</b>

**One Year Ending**

<b>2020</b> 4th Quarter	214,086	216,595	514,196	12,564	11,546	721,360	(3,278)	1,687,069
<b>2021</b> 1st Quarter	89,693	151,308	446,703	446	4,677	608,953	(4,874)	1,296,906
2nd Quarter	57,286	97,565	374,587	149	10,304	519,442	(5,019)	1,054,314
<b>3rd Quarter</b>	<b>40,673</b>	<b>79,730</b>	<b>320,685</b>	<b>100</b>	<b>17,795</b>	<b>450,531</b>	<b>(5,340)</b>	<b>904,174</b>

**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
<b>2020</b> 4th Quarter	50,188,242	23,686,682	18,328,824	1,000,000	4,176,700	42,660,911	3,122,244	143,163,603
<b>2021</b> 1st Quarter	62,521,362	23,196,055	15,482,477	1,000,000	7,512,804	40,100,734	6,559,222	156,372,654
2nd Quarter	66,559,153	21,109,775	13,878,557	1,000,000	22,925,116	40,757,280	4,026,114	170,255,995
<b>3rd Quarter</b>	<b>69,845,890</b>	<b>21,533,660</b>	<b>13,106,318</b>	<b>1,000,000</b>	<b>33,671,966</b>	<b>40,854,508</b>	<b>4,880,538</b>	<b>184,892,880</b>

**One Year Ending**

<b>2020</b> 4th Quarter	55,291,043	21,714,894	22,167,822	1,691,257	2,352,780	43,324,826	4,430,566	150,973,188
<b>2021</b> 1st Quarter	61,064,901	23,047,542	19,745,686	1,000,000	3,574,223	41,317,608	4,775,236	154,525,197
2nd Quarter	63,441,892	22,705,797	17,181,936	1,000,000	9,037,595	41,118,663	4,817,008	159,302,891
<b>3rd Quarter</b>	<b>62,265,604</b>	<b>22,380,394</b>	<b>15,201,109</b>	<b>1,000,000</b>	<b>16,858,672</b>	<b>41,099,718</b>	<b>4,638,253</b>	<b>163,443,750</b>

**Comparison to Benchmark:**

Description	LGIP	Portfolio
Rate of Return - Quarterly	0.01%	0.10%
Rate of Return - Annualized	0.07%	0.57%