

4th QUARTER 2021 FINANCIAL HIGHLIGHTS

Total Investment Portfolio as of December 31, 2021	Actual	Benchmark ¹	Budget ²
Realized Year to Date Interest Income Net of Fees	\$ 798,669	\$ 97,158	\$ 854,721
Current Holdings - Yield to Maturity at Cost	0.51%	0.06%	n/a
4th Quarter Average Return at Cost Annualized	0.48%	0.06%	0.55%
Year to Date Rate of Return at Cost Annualized	0.48%	0.06%	0.51%
Rolling 1 Year Average Return at Cost	0.49%	0.06%	0.51%
Average Weighted Duration in Years	1.04	n/a	n/a
2021 Fixed Income Purchases To Date:			
Average Weighted Duration: 3.09 Years	Weighted Yield to Maturity: 0.69%		

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

² 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 yearly budget expectations by \$56,052, 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 yearly budget expectations by \$50,470. The budget shortfall is due to a decrease in yields on investments from COVID-19 that have been slow to recover.
- *Unrealized Gains/Losses:* The County's unrealized loss as of December 31, 2021 is \$872,869.
- *Budget Action Required:* County sales tax revenue, with an expected surplus of more than \$2 million, will offset the \$50,470 interest income shortfall and \$872,869 unrealized loss as of December 31, 2021, no action required.

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 indicated at the December, 2021 Federal Open Market Committee (FOMC) that it sees as many as three rate hikes in 2022.
- Since peaking at 2.49% on 04/30/2019, LGIP rates have declined to 0.06% as of 12/31/2021.
- U.S. Treasury interest rate for the five year term, the longest we may invest, is 1.26% as of 12/31/2021, after hitting a low during the pandemic of 0.19%. Over the last five years, between 1/1/2017 and 12/31/2021, the five year U.S. Treasury yield has averaged 1.60%, 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.

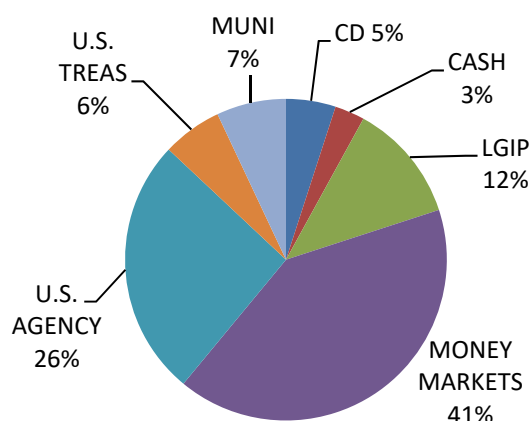
REQUIREMENTS AND COMPLIANCE

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
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 \$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
Liquidity Risk	Liquid cash shall be maintained at \$10 million and available with 1 day notice.	\$ 58.6 million or 39%
Reinvestment Risk	Callable securities shall not exceed 50% of securities held.	\$ 20.7 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.	\$ 14.3 million or 9%
	Investments greater than 1 year and less than 5 years shall not exceed 100% of the core portfolio, currently \$67,407,000.	\$ 48.4 million or 72%

INVESTMENT CATEGORY	MAXIMUM MATURITY	AUTHORIZED LIMIT	ACTUAL PORTFOLIO
Certificates of Deposit	3 years	50%	5%
Operating Cash	N/A	N/A	3%
LGIP	N/A	75%	12%
Money Markets	N/A	95%	41%
U.S. Agency Securities	5 years	75%	26%
U.S. Treasury Securities	5 years	75%	6%
Municipal Debt	5 years	25%	7%

INVESTMENT TYPE	MARKET VALUE (in thousands)
Certificates of Deposit	\$ 7,249
Cash - Depository Bank	5,318
LGIP	18,587
Money Markets	62,102
Portfolio Money Market	16
U.S. Agency Securities	38,840
U.S. Treasury Securities	8,528
Municipal Debt	10,509
Total	\$ 151,149



WALWORTH COUNTY INVESTMENT PORTFOLIO
VALUATION AT COST
As of 12/31/2021

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
2021 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%
3rd Quarter	0.01%	0.07%	0.51%	0.00%	0.03%	0.23%	-0.05%	0.10%
4th Quarter	0.02%	0.07%	0.48%	0.00%	0.03%	0.21%	-0.04%	0.12%

One Year Ending

2021 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%
3rd Quarter	0.07%	0.35%	2.10%	0.00%	0.12%	1.09%	-0.13%	0.57%
4th Quarter	0.06%	0.29%	2.03%	0.00%	0.11%	0.97%	-0.12%	0.49%

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
2021 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
3rd Quarter	8,471	15,577	66,712	25	8,487	93,124	(2,246)	190,150
4th Quarter	5,150	17,419	43,697	35	8,489	107,370	(1,440)	180,720

One Year Ending

2021 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
3rd Quarter	40,673	79,730	320,685	100	17,795	450,531	(5,340)	904,174
4th Quarter	32,426	66,402	263,552	110	24,814	416,728	(5,365)	798,668

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
2021 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
3rd Quarter	69,845,890	21,533,660	13,106,318	1,000,000	33,671,966	40,854,508	4,880,538	184,892,880
4th Quarter	32,480,331	24,798,300	9,059,190	1,000,000	33,680,454	52,002,436	3,299,843	156,320,554

One Year Ending

2021 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
3rd Quarter	62,265,604	22,380,394	15,201,109	1,000,000	16,858,672	41,099,718	4,638,253	163,443,750
4th Quarter	57,802,240	22,660,583	12,864,653	1,000,000	24,295,235	43,454,294	4,683,018	166,760,023

Comparison to Benchmark:

Description	LGIP	Portfolio
Rate of Return - Quarterly	0.02%	0.12%
Rate of Return - Annualized	0.06%	0.49%