



## MEMORANDUM

**TO:** City Council

**FROM:** Kathy DuBose, Director of Finance 

**DATE:** November 26, 2007

**SUBJECT:** **FY 2006-07 ANNUAL INVESTMENT REPORT**

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Attached please find the Fiscal Year 2006-07 Annual Investment Report for the City of Corinth. The investment portfolio complied with the Public Funds Investment Act (PFIA), Chapter 2256 of the Texas Government code and the City's approved Investment Policy and Strategies throughout the period and includes the required disclosures.

The Investment Committee met on November 13, 2007 and unanimously approved the annual investment report.

If you have any question, please feel free to contact me.



City of Corinth, Texas

ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2007*



Clovia English  
*City Manager*

Kathy DuBose  
*Director of Finance*

Prepared By:

Lee Ann Bunselmeyer  
*Budget Manager*

# ANNUAL INVESTMENT REPORT

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November 13, 2007

TO: Honorable Mayor and Members of the City Council

The Annual Investment Report is written in accordance with state statutes, specifically the Public Funds Investment Act, section 2256 of the Texas Government Code. This report is presented to comply with the City's investment policy that states "within one hundred (180) days of the end of the fiscal year, the Director of Finance shall present an annual report on the investment program and investment activity. This report may be presented as a component of the fourth quarter report to the City Manager and City Council."

## I. STATUTORY AND POLICY REQUIREMENTS

On December 7, 2006, a resolution was passed to adopt a formal investment policy for the City of Corinth. The Investment Policy is required by state law to be reviewed each year. The policy designates the Director of Finance as being responsible for the City's investment program. The Director of Finance is also responsible for establishing written procedures for the operation of the program. These procedures include the explicit delegation of authority to persons who carry out the daily investment transactions. The Director of Finance has made this delegation of authority to the Budget Manager. Investment officials have the authority to invest all funds for the City of Corinth, the Corinth Crime Control and Prevention District and Corinth Economic Development Corporation with the exception of funds contributed to the Texas Municipal Retirement System (TMRS); other funds established by the City for deferred employee compensation; and revenue bond escrow funds. These funds are managed by outside investment managers and administrators and monitored by the Finance Department.

The funds of the City of Corinth, Texas, are invested in compliance with Article. 842(a-1) entitled the "Public Funds Investment Act" of the Texas Government Code. Staff annually reviews the policy guidelines and objectives to ensure compliance with the changes in state law and with the investment strategies adopted by the City Council as summarized below in order of importance.

### 1) Safety – Preservation and safety of Principal.

Safety of principal invested is the foremost objective in the investment decisions of the City. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized

securities as defined in this Policy, by qualifying the financial institutions and broker with which the City will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on the City's investments.

2) Liquidity.

The investment portfolio shall be managed to maintain liquidity to ensure that funds will be available to meet the City's cash flow requirements and by investing in securities with active secondary markets. Investments shall be structured in such a manner as to provide liquidity necessary to pay obligations as they become due. A security may be liquidated prior to its stated maturity to meet unanticipated cash requirements or to otherwise favorably adjust the City's portfolio.

3) Diversification.

Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the City. Diversifying the appropriate maturity structure will reduce market cycle risk.

4) Market Rate-of-Return (Yield).

The City's investment portfolio shall be designed to optimize a market rate-of-return on investments consistent with risk constraints and cash flow requirements of the portfolio. The investment portfolio shall be managed in a manner which seeks to attain a market rate of return throughout budgetary and economic cycles. The City will not attempt to consistently attain an unrealistic above market rate-of-return as this objective will subject the overall portfolio to greater risk. Therefore, the City's rate of return objective is secondary to those of safety and liquidity. Rate of return (yield) is defined as the annual income returned on an investment, expressed as a percentage.

5) Public Trust

The Investment Officer shall avoid any transactions that might impair public confidence in the City's ability to govern effectively. The governing body recognizes that in diversifying the portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been implemented. The prudence of the investment decision shall be measured in accordance with the tests set forth in Section 2256.006(b) of the Act.

## II. BANK DEPOSITORY

Depository services support the objectives of the City's cash and investment management program. Those objectives are to maximize investment yield after satisfying the goals of safety and liquidity. A depository services contract is required for municipalities and the City of Corinth contracts with Wachovia Bank. The Federal Reserve Bank of New York serves as the City's safekeeping institution and acts as a third party custodian.

There are five significant cash management services that are provided to the City. These services are (1) a control concentration/sweep account, (2) the on-line cash management system, (3) positive pay and (4) remote deposit capture and (5) safekeeping services. These automated services facilitate full utilization of available cash thus maximizing interest income. In addition, the City utilizes armored car services. This service includes daily pick-up and delivery of city deposits at various remote locations. This provides necessary security for the City's deposits.

### III. INVESTMENT ACCOUNTING METHODOLOGY

The accounts of the City of Corinth are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. Therefore, each fund is invested separately if it maintains sufficient balances. The investment activity of each fund is summarized in the tables presented in this report.

### IV. CASH & INVESTMENT PROGRAM ACCOMPLISHMENTS AND GOALS

During the past fiscal year, the cash and investment program accomplished several major initiatives. Some of them include the following:

- Implemented an active investment program for the City of Corinth, the Corinth Crime Control and Prevention District, and the Corinth Economic Development Corporation.
- Received Certificate of Distinction for the Investment Policy by the Government Treasurers' Organization of Texas (GTOT) for developing a comprehensive written investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by GTOT.
- Completed arbitrage computations for bonds issued by the City of Corinth from 1994 to 2005.
- Implemented Armored Courier Service to protect City funds.
- Developed a cash handling training program. Trained all city employees responsible for handling cash functions on cash handler responsibilities, currency and check fraud detection, loss prevention and cash handling regulations.
- Completed all petty cash and change drawer audits with favorable results.
- Successfully prepared a bank depository request for proposal and transitioned to a more beneficial bank depository contract.
- Completed training as required by the Public Funds Investment Act of Texas.

Several goals established for this program include the following:

Cash Audits– Continue citywide cash audit process in pursuit of internal controls.

Cash Training- Provide ongoing cash certification training for all new fund custodians and supervisors

Identity Theft Protection – Provide training on identity theft protection.

Investment Training- All investment officers and support staff must complete ten hours of investment training as required by state law.

Interest Income – This report includes the earnings generated through investments. Staff is continuously faced with the challenge of maintaining the current level of earnings in an uncertain rate environment.

The enclosed Annual Investment Report is in compliance with the investment strategies adopted by the City Council as well as in accordance with the relevant provisions of the Tex. Gov't Code Ch. 2256. The objectives adopted by the City Council will continue to drive the investment program in the next fiscal year in order to achieve optimum protection of public funds.

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Kathy DuBose  
Director of Finance

Signature redacted

Lee Ann Bunselmeyer  
Budget Manager

**CITY OF CORINTH**  
**ANNUAL INVESTMENT REPORT**  
*For Period Ending September 30, 2007*

Security Type	% Of Mkt to Book	Par Value	Book Value	Market Value
U. S. Federal Agency-Coupon	100.08%	\$4,055,000	\$4,043,604	\$4,046,861
U.S. Federal Agency -Callable	99.96%	4,950,000	4,931,682	4,929,850
Managed Pools	100.00%	25,289,758	25,289,758	25,289,758
Bank Cash	100.00%	2,298,738	2,298,738	2,298,738
	100.00%	\$36,593,496	\$36,563,783	\$36,565,207

**PORTFOLIO SUMMARY REPORT**

Beginning Par Value as of 9/30/2006	\$11,984,253
Beginning Book Value as of 9/30/2006	\$11,951,968
Beginning Market Value as of 9/30/2006	\$11,953,728
WAM at Beginning Date (Days)	96
Ending Par Value as of 9/30/2007	\$36,593,496
Ending Book Value as of 9/30/2007	\$36,563,783
Ending Market Value as of 9/30/2007	\$36,565,207
WAM at Ending Date (Days)	81

Change to Market Value \$24,611,479

*The increase in portfolio balance is due to the receipt of \$24.3 million in bond proceeds in September 2007.*

This report is prepared in accordance with Chapter 2256 of the Public Funds Investment Act ("PFIA") Section 2256.023(a) which states that "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period."

The investment portfolio complied with the PFIA and the City's approved Investment Policy and Strategy throughout the period.

Signature redacted

Kathy DuBose  
Director of Finance

Signature redacted

Lee Ann Bunselmeyer  
Budget Manager

Signature redacted

Scott McIntyre, First Southwest Asset Management

**Investment Strategies Compliance Report**  
**For Period Ending September 30, 2007**

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**OPERATING FUNDS**

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The investment strategy for operating funds and commingled pools containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to structure a portfolio, which will minimize volatility during economic cycles. This may be accomplished by purchasing high quality, short-term securities, which will compliment each other in a laddered maturity structure. A dollar-weighted average maturity of 270 days or less will be maintained and calculated by using the stated final maturity date of each security.

Beginning Book Value as of 9/30/2006	7,278,640
Beginning Market Value as of 9/30/2006	7,280,400
WAM at Beginning Date	157
Ending Book Value as of 9/30/2007	8,460,160
Ending Market Value as of 9/30/2007	8,462,901
Unrealized Gain/(Loss)	2,741
Change to Market Value	1,179,760
WAM at Ending Date	242
WAM Policy Benchmark $\leq$	270

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**RESERVE FUNDS**

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Investment strategies for debt service reserve and contingency funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate fund from securities with a low degree of volatility. Securities should be of high quality and, except as may be required by the bond ordinance specific to an individual issue, of short to intermediate-term maturities. Volatility shall be further controlled through the purchase of securities carrying the highest coupon available, within the desired maturity and quality range, without paying a premium, if at all possible. Such securities will tend to hold their value during economic cycles. A dollar weighted average maturity of 365 days or less will be maintained and calculated by using the stated final maturity date of each security.

Beginning Book Value as of 9/30/2006	1,286,028
Beginning Market Value as of 9/30/2006	1,286,028
WAM at Beginning Date	1
Ending Book Value as of 9/30/2007	1,094,428
Ending Market Value as of 9/30/2007	1,090,945
Unrealized Gain/(Loss)	(3,483)
Change to Market Value	(195,083)
WAM at Ending Date	326
WAM Policy Benchmark $\leq$	365

**Investment Strategies Compliance Report**  
**For Period Ending September 30, 2007**

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**BOND FUNDS**

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Investment strategies for bond funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date. A dollar weighted average maturity of 365 days or less will be maintained and calculated by using the stated final maturity of each security.

Beginning Book Value as of 9/30/2006	-
Beginning Market Value as of 9/30/2006	-
WAM at Beginning Date	-
Ending Book Value as of 9/30/2007	24,167,779
Ending Market Value as of 9/30/2007	24,167,779
Unrealized Gain/(Loss)	-
Change to Market Value [1]	24,167,779
WAM at Ending Date	1
WAM Policy Benchmark $\leq$	365

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**SPECIAL PURPOSE FUNDS**

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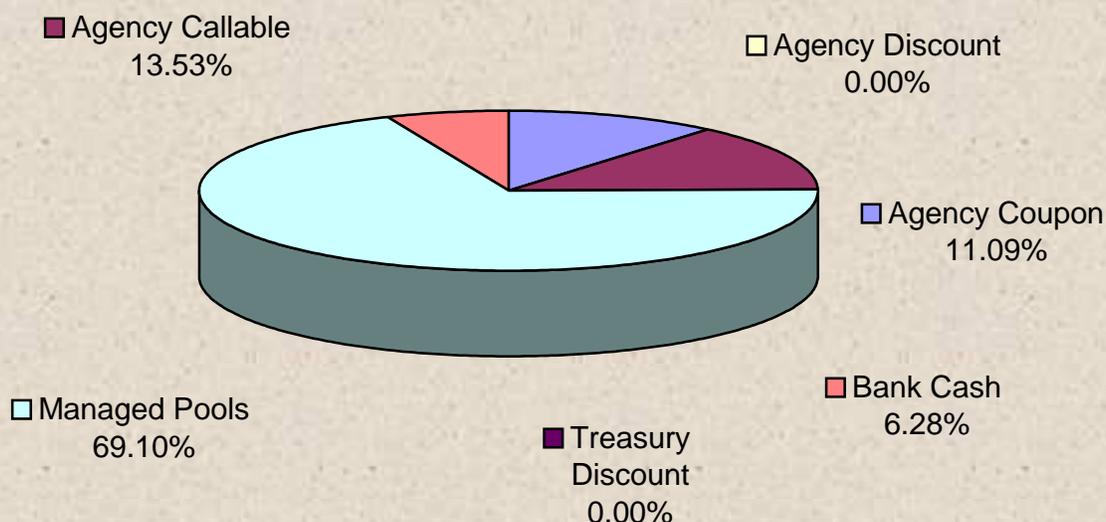
Investment strategies for construction projects or special purpose fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility and unanticipated project outlays. The stated final maturity dates of securities held should not exceed the estimated project completion date. A dollar weighted average maturity of 270 days or less will be maintained and calculated by using the stated final maturity of each security.

Beginning Book Value as of 9/30/2006	3,387,301
Beginning Market Value as of 9/30/2006	3,387,301
WAM at Beginning Date	1
Ending Book Value as of 9/30/2007	2,841,416
Ending Market Value as of 9/30/2007	2,843,581
Unrealized Gain/(Loss)	2,165
Change to Market Value [1]	(543,719)
WAM at Ending Date	185
WAM Policy Benchmark $\leq$	270

**ANNUAL INVESTMENT REPORT**  
**Portfolio Summary By Market Sector**

Market Sector	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
U.S. Federal Agency -Coupon	\$1,300,000	\$5,045,000	\$6,665,000	\$4,055,000
U.S. Federal Agency-Callable	0	4,600,000	3,950,000	4,950,000
U.S. Federal Agency -Discoun	500,000	900,000	900,000	0
Managed Pools	6,609,313	1,982,085	1,107,346	25,289,758
Money Market	0	1,000,000	0	0
Bank Cash	2,916,156	1,446,082	1,389,071	2,298,738
<b>Total Par Value:</b>	<b>\$11,325,469</b>	<b>\$14,973,167</b>	<b>\$14,011,417</b>	<b>\$36,593,496</b>

**As of September 30, 2007**



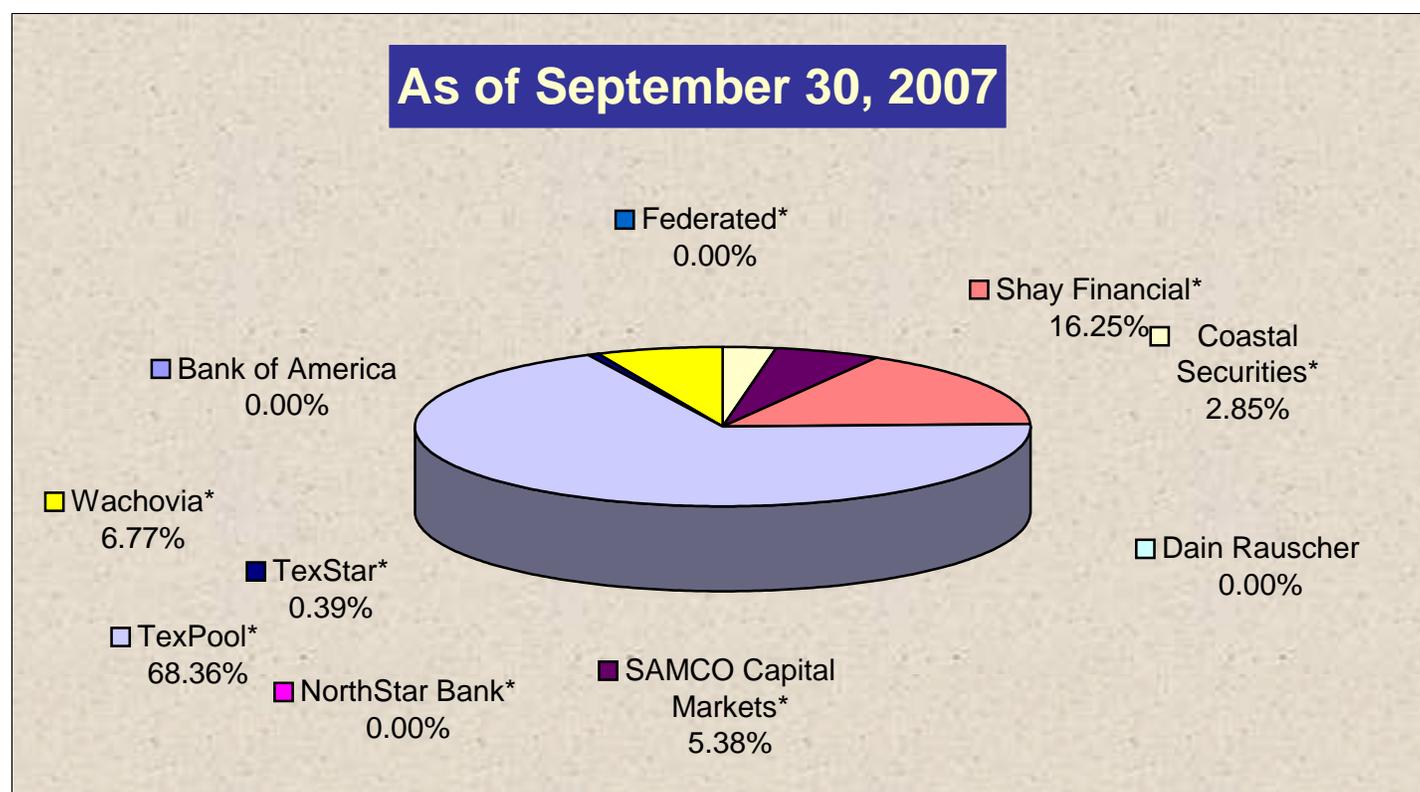
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income from the volatility of interest rates and to protect the portfolio from the risk of principal loss in any one market.

Performance Indicators	Policy	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
	Benchmark				
Average Yield to Maturity		5.15%	5.17%	5.11%	5.06%
<i>Policy Benchmark-(Six Month T-Bill)</i>		5.06%	5.08%	4.94%	4.19%
Callable Securities ≤	30.00%	0.00%	30.72%	28.19%	13.49%
Investment By Type ≤					
U.S. Treasuries	100.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies	100.00%	15.89%	70.43%	82.18%	24.61%
Managed Pools	50.00%	58.36%	13.24%	7.90%	69.11%
Money Market	50.00%	0.00%	6.68%	0.00%	0.00%
Cash	100.00%	25.75%	9.66%	9.91%	6.28%

**ANNUAL INVESTMENT REPORT**  
**Portfolio Summary By Broker/Dealer**

	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
<b>Broker/Dealer</b>				
Bank of America	\$500,000	\$0	\$0	\$0
Coastal Securities*	0	1,425,000	1,425,000	1,050,000
Dain Rauscher	<b>1,300,000</b>	1,300,000	1,300,000	0
SAMCO Capital Markets*	0	3,845,000	<b>4,815,000</b>	1,980,000
Shay Financial*	0	<b>3,975,000</b>	3,975,000	<b>5,975,000</b>
Total Broker/Dealer	\$1,800,000	\$10,545,000	\$11,515,000	\$9,005,000
<b>Managed Pools/ Depository Bank</b>				
Federated*	\$0	\$1,000,000	\$0	\$0
TexPool*	2,820,817	953,619	966,210	25,146,757
TexStar*	3,788,496	1,028,466	141,136	143,001
Wachovia*	0	0	723,140	2,297,722
NorthStar Bank*	2,916,156	1,446,082	665,930	1,016
Total Managed Pools/Depository Bank	\$9,525,469	\$4,428,167	\$2,496,417	\$27,588,496
Total Par Value:	\$11,325,469	\$14,973,167	\$14,011,417	\$36,593,496

(\*) Denotes Active Brokers, Managed Pools, and Depository Bank for Fiscal Year 2006-2007

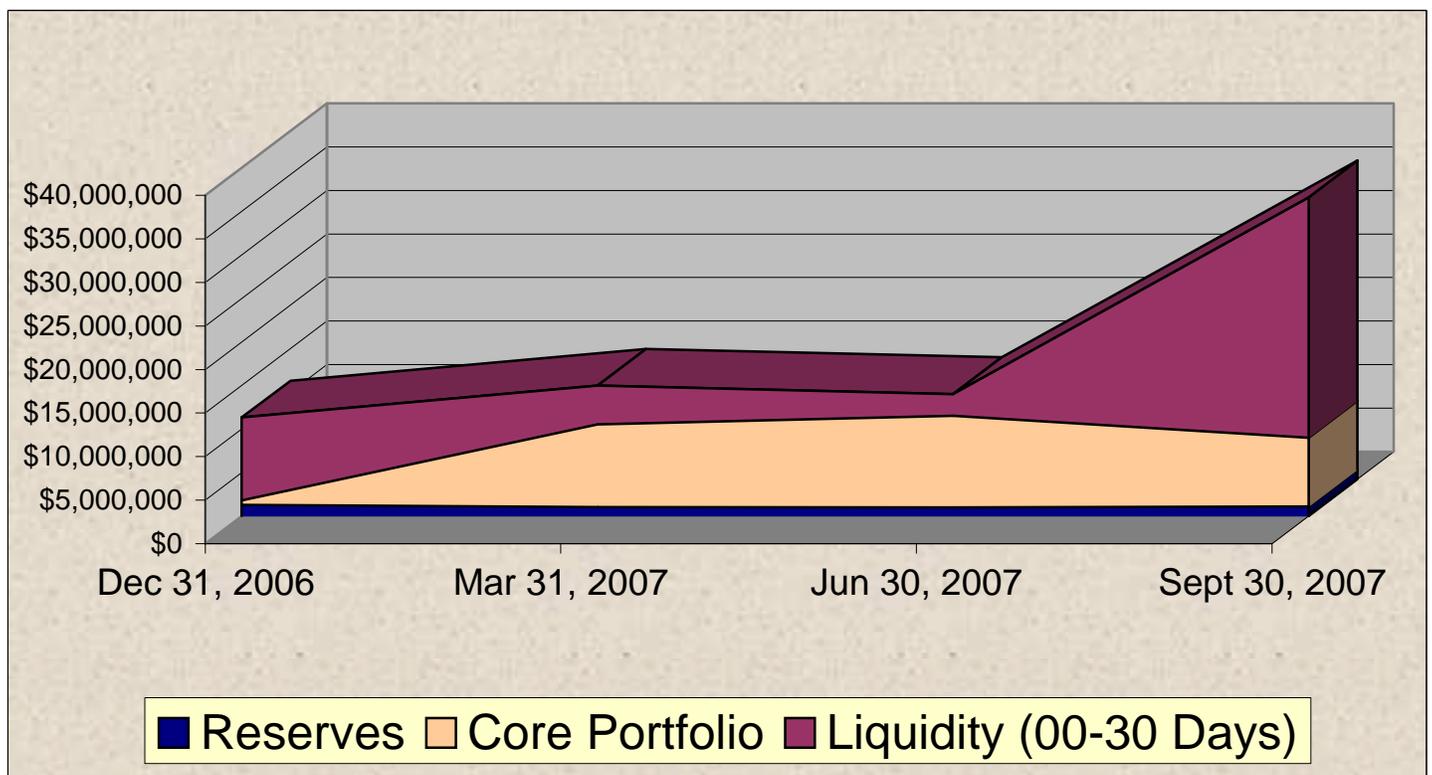


To guard against default possibilities, and to promote diversification of bidders, business with any one issuer, or investment broker, is limited to forty (40%) percent of the total portfolio at any point in time. As shown in the table below, the portfolio adhered to this provision throughout the quarter.

Performance Indicators	Policy Benchmark	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
Highest Broker Percent ≤	40.00%	11.48%	26.55%	34.36%	16.33%

**ANNUAL INVESTMENT REPORT**  
**Portfolio Summary By Maturity**

Maturity Time Frame	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
00-30 Days	\$9,525,469	\$4,428,167	\$2,496,417	\$27,588,496
31-90 Days	500,000	0	4,010,000	1,280,000
91-180 Days	0	4,010,000	1,280,000	1,325,000
181-270 Days	1,300,000	660,000	1,325,000	0
271-360 Days	0	1,325,000	0	1,200,000
361-450 Days	0	0	1,700,000	2,850,000
451-540 Days	0	1,700,000	1,850,000	2,350,000
541 & Over	0	2,850,000	1,350,000	0
	<b>\$11,325,469</b>	<b>\$14,973,167</b>	<b>\$14,011,417</b>	<b>\$36,593,496</b>



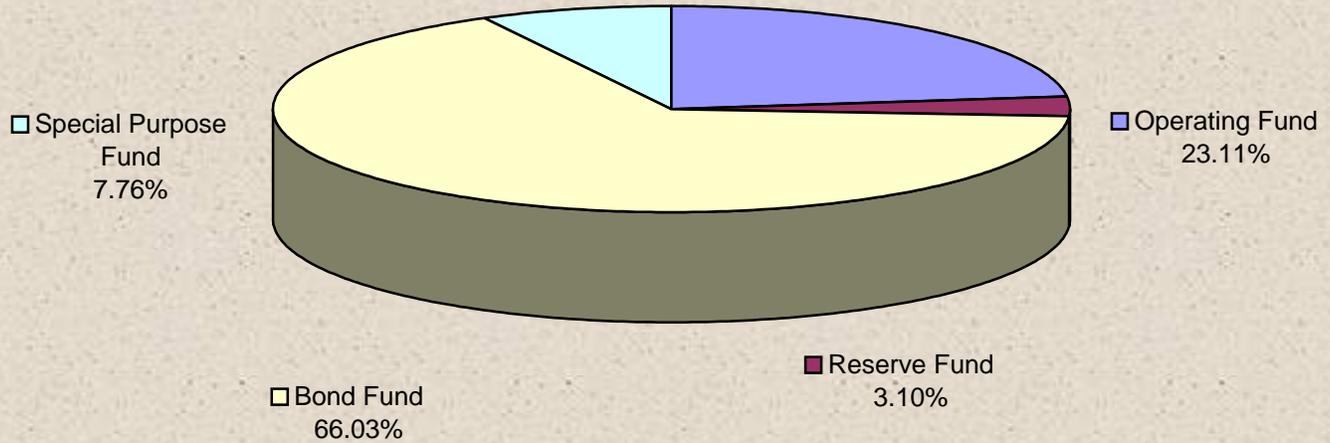
The risk of market price volatility is minimized through maturity diversification. The maturities on our investments are staggered over a series of three-month increments to provide cash flow based on the anticipated needs of the City. Liquidity is achieved by matching investment maturities with forecasted cash flow requirements and by investing in securities with active secondary markets. Short-term investment pools and money market funds provide daily liquidity and are utilized as a competitive yield alternative to fixed maturity investments.

Performance Indicators	Policy Benchmark	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
Weighted Avg. Maturity $\leq$	270.00	32.00	255.00	222.00	81.00
Maturities $\leq 30$ days $\geq$	5.00%	84.11%	29.57%	17.82%	75.39%

**ANNUAL INVESTMENT REPORT**  
**Portfolio Summary By Fund Type**

Fund Type	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
Operating Fund	\$6,875,891	\$11,066,082	\$9,804,071	\$8,478,738
Reserve Fund	1,266,739	1,028,466	1,000,000	1,100,000
Bond Fund	0	0	0	24,167,779
Special Purpose Fund	3,182,839	2,878,619	3,207,346	2,846,979
	<b>\$11,325,469</b>	<b>\$14,973,167</b>	<b>\$14,011,417</b>	<b>\$36,593,496</b>

**As of September 30, 2007**

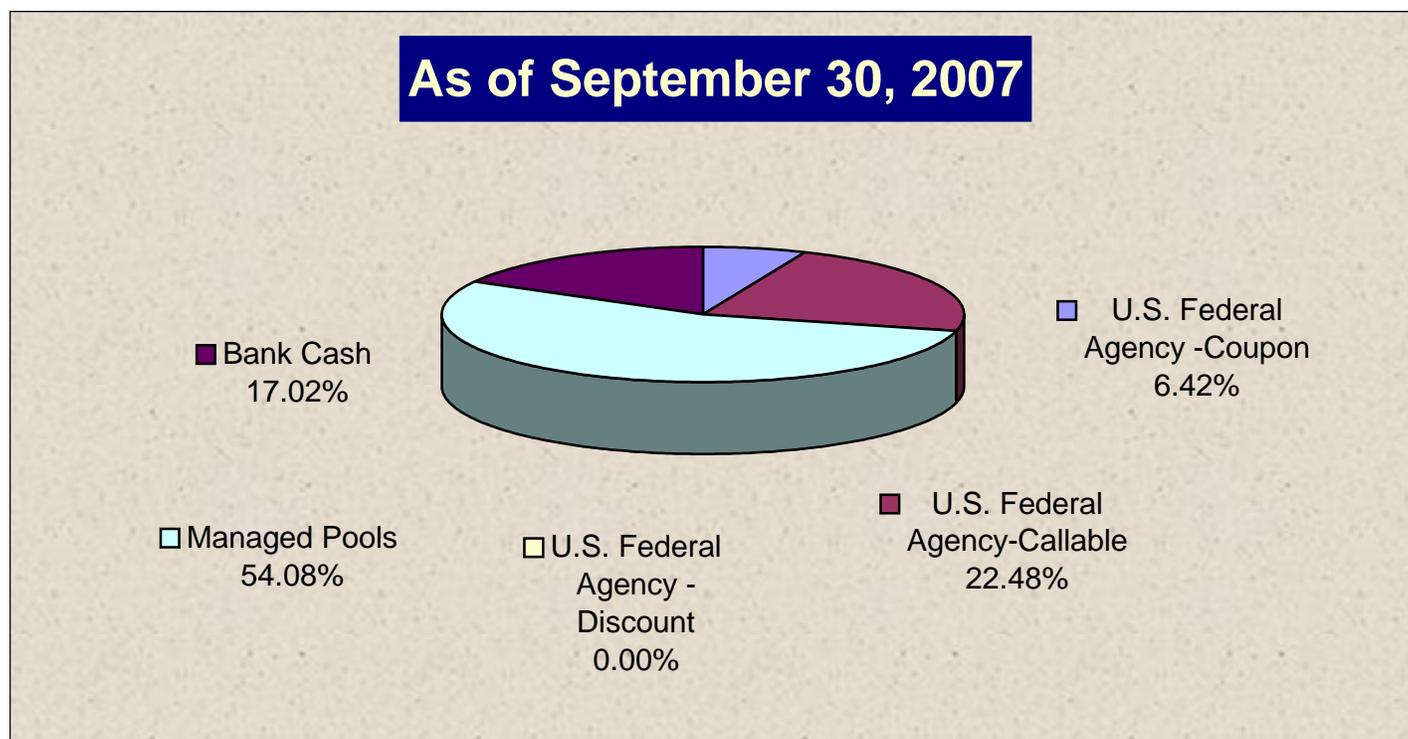


As shown in the graph above, the investments in the portfolio are distributed by fund type. Preservation and safety of principal of these investments is the most important strategy. All investments shall be high quality securities with no perceived default risk. Market fluctuations will occur; however, by managing the weighted-average days to maturity (WAM) for each fund type, losses are minimized.

Performance Indicators	Policy				
	Benchmark	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
WAM by Fund ≤					
Operating	270	52	260	206	242
Reserve	365	1	194	353	326
Bond	365	0	0	0	1
Special/Capital Project	270	1	258	232	185

**ANNUAL INVESTMENT REPORT**  
**Economic Development Corporation**

Market Sector	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
U.S. Federal Agency -Coupon	\$0	\$100,000	\$100,000	\$100,000
U.S. Federal Agency-Callable	0	350,000	350,000	350,000
U.S. Federal Agency -Discount	0	100,000	100,000	0
Managed Pools	1,113,271	626,165	634,433	842,983
Bank Cash	91,368	138,054	238,962	265,059
<b>Total Par Value:</b>	<b>\$1,204,639</b>	<b>\$1,314,219</b>	<b>\$1,423,394</b>	<b>\$1,558,041</b>

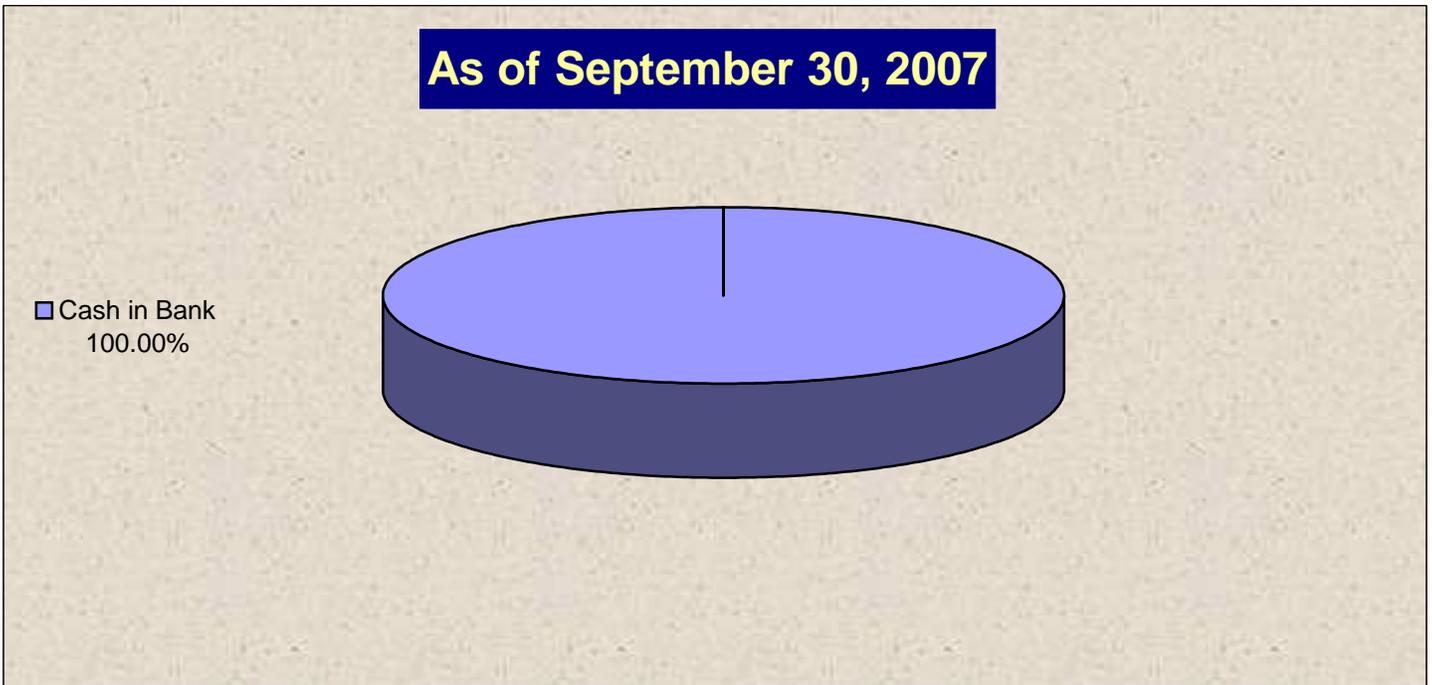


The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income from the volatility of interest rates and to protect the portfolio from the risk of principal loss in any one market.

Performance Indicators	Policy Benchmark	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
Average Yield to Maturity		5.25%	5.22%	5.19%	5.06%
<i>Policy Benchmark-(Six Month T-Bill)</i>		5.06%	5.08%	4.94%	4.19%
Callable Securities ≤	30.00%	0.00%	26.63%	24.59%	22.46%
Investment By Type ≤					
U.S. Treasuries	100.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies	100.00%	0.00%	41.85%	38.64%	28.88%
Managed Pools	100.00%	92.42%	47.65%	44.57%	54.11%
Cash	100.00%	7.58%	10.50%	16.79%	17.01%
Weighted Avg. Maturity ≤	270.00	1.00	150.00	104.00	65.00
Maturities ≤30 days ≥	5.00%	100.00%	58.15%	61.36%	71.12%

**ANNUAL INVESTMENT REPORT**  
**Crime Control & Prevention District**

Market Sector	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
U.S. Federal Agency -Coupon	\$0	\$125,000	\$125,000	\$0
Cash in Bank	104,976	0	0	193,389
<b>Total Par Value:</b>	<b>\$104,976</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$193,389</b>



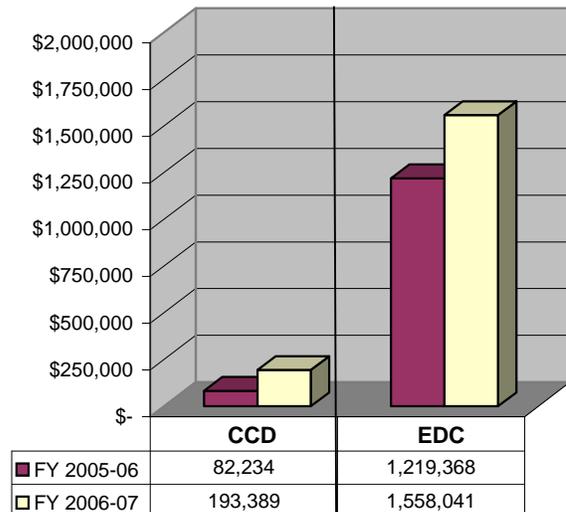
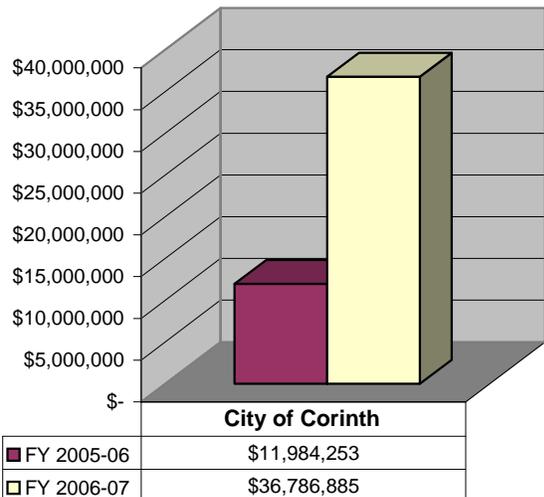
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income from the volatility of interest rates and to protect the portfolio from the risk of principal loss in any one market.

Performance Indicators	Policy Benchmark	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sept 30, 2007
Average Yield to Maturity		4.75%	5.25%	5.25%	4.74%
<i>Policy Benchmark-(Six Month T-Bill)</i>		5.06%	5.08%	4.94%	4.19%
Callable Securities ≤	30.00%	0.00%	0.00%	0.00%	0.00%
Investment By Type ≤					
U.S. Treasuries	100.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies	100.00%	0.00%	0.00%	100.00%	0.00%
Managed Pools	100.00%	0.00%	0.00%	0.00%	0.00%
Cash	100.00%	100.00%	100.00%	0.00%	100.00%
Weighted Avg. Maturity ≤	270.00	100.00	156.00	65.00	1.00

**CITY OF CORINTH**  
**INVESTED BALANCE COMPARISON**  
*(For Periods Ending September 30)*

Fund Name	Actual FY 2006-2007	Actual FY 2005-2006	Variance
<b>OPERATING FUNDS:</b>			
01 General Fund	\$ 4,935,000	\$ 6,079,223	\$ (1,144,223)
02 Water/Sewer Operations	620,000	-	620,000
10 Street Maintenance Sales Tax	300,000	-	300,000
46 Storm Water Utility Fund	325,000	-	325,000
Wachovia/Cash	2,298,738	2,666,541	(367,803)
	<u>\$ 8,478,738</u>	<u>\$ 8,745,764</u>	<u>\$ (267,026)</u>
<b>RESERVE FUNDS:</b>			
04 Debt Service	\$ 1,100,000	\$ 1,286,028	\$ (186,028)
	<u>\$ 1,100,000</u>	<u>\$ 1,286,028</u>	<u>\$ (186,028)</u>
<b>SPECIAL PURPOSE FUNDS:</b>			
03 Water/Sewer Capital Fund	\$ 750,000	\$ 821,199	\$ (71,199)
06 Capital Project Fund	1,553,978	715,504	838,474
11 Roadway Impact Fees	-	160,578	(160,578)
13 Special Revenue	250,000	255,181	(5,181)
44 Water/Sewer Impact Fees	293,001	-	293,001
	<u>\$ 2,846,979</u>	<u>\$ 1,952,461</u>	<u>\$ 894,518</u>
<b>BOND FUNDS:</b>			
50 Water - 2007 C.O.	\$ 7,274,807	\$ -	\$ 7,274,807
60 Sewer - 2007 C.O.	6,960,122	-	6,960,122
70 Streets - 2007 C.O.	7,055,756	-	7,055,756
80 Drainage - 2007 C.O.	1,623,730	-	1,623,730
90 All Departmental - 2007 C.O.	1,253,365	-	1,253,365
	<u>\$ 24,167,780</u>	<u>\$ -</u>	<u>\$ 24,167,780</u>
	<u><u>\$ 36,593,496</u></u>	<u><u>\$ 11,984,253</u></u>	<u><u>\$ 24,609,243</u></u>
<b>OTHER FUNDS:</b>			
12 Crime Control & Prevention District	\$ 193,389	\$ 82,234	\$ 111,155
14 Economic Development Corporation	1,558,041	1,219,368	338,673
	<u>\$ 1,751,430</u>	<u>\$ 1,301,602</u>	<u>\$ 449,828</u>

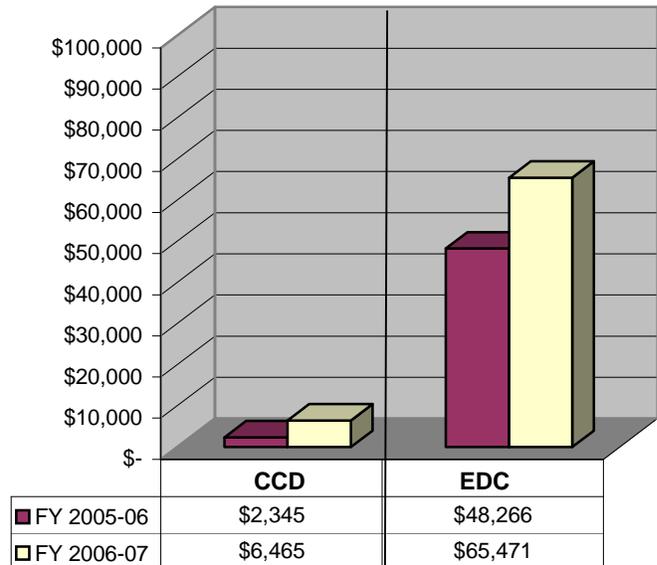
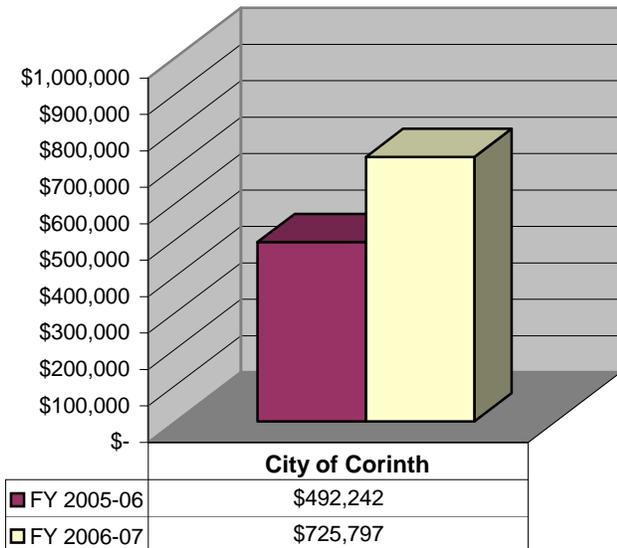
**INVESTED BALANCE COMPARISON**



**CITY OF CORINTH**  
**INTEREST EARNINGS COMPARISON**  
*(For Periods Ending September 30)*

Fund Name	Actual FY 2006-2007	Actual FY 2005-2006	Variance
<b>OPERATING FUNDS:</b>			
01 General Fund	\$ 347,534	\$ 242,110	\$ 105,424
02 Water/Sewer Operations	44,338	37,008	7,330
10 Street Maintenance Sales Tax	20,053	6,648	13,405
46 Storm Water Utility Fund	13,948	8,061	5,888
	<u>\$ 425,874</u>	<u>\$ 293,828</u>	<u>\$ 132,046</u>
<b>RESERVE FUNDS:</b>			
04 Debt Service	\$ 66,666	\$ 98,104	\$ (31,439)
	<u>\$ 66,666</u>	<u>\$ 98,104</u>	<u>\$ (31,439)</u>
<b>SPECIAL PURPOSE FUNDS:</b>			
03 Water/Sewer Capital Fund	\$ 55,146	\$ 46,231	\$ 8,916
06 Capital Project Fund	80,916	36,240	44,676
11 Roadway Impact Fees	11,219	2,628	8,591
13 Special Revenue	13,098	11,013	2,085
44 Water/Sewer Impact Fees	26,764	4,199	22,565
	<u>\$ 187,144</u>	<u>\$ 100,310</u>	<u>\$ 86,833</u>
<b>BOND FUNDS:</b>			
50 Water - 2007 C.O.	\$ 18,463	\$ -	\$ 18,463
60 Sewer - 2007 C.O.	11,393	-	11,393
70 Streets - 2007 C.O.	11,549	-	11,549
80 Drainage - 2007 C.O.	2,658	-	2,658
90 All Departmental - 2007 C.O.	2,052	-	2,052
	<u>\$ 46,114</u>	<u>\$ -</u>	<u>\$ 46,114</u>
	<u>\$ 725,797</u>	<u>\$ 492,242</u>	<u>\$ 233,555</u>
<b>OTHER FUNDS:</b>			
12 Crime Control & Prevention District	\$ 6,465	\$ 2,345	\$ 4,120
14 Economic Development Corporation	65,471	48,266	17,205
	<u>\$ 71,936</u>	<u>\$ 50,611</u>	<u>\$ 21,325</u>

**INTEREST EARNINGS COMPARISON**





City of Corinth, Texas

ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2007*



**APPENDIX A**

**Investment Report  
For Month Ending September 30, 2007**





City of Corinth  
3300 Corinth Parkway  
Corinth, TX, 76208  
-9404983200

**City of Corinth**  
**Texas Compliance Change In Value Report**  
**Sorted by Fund**  
**October 1, 2006 - September 30, 2007**

Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
<b>Fund: Pooled Cash</b>									
10012	NTHSTR	00	10/01/2006	86,946.71	0.00	2,905,400.15	0.00	-2,904,383.74	1,016.41
SYS10012	1,016.41	4.750	/ /	28,188.64	0.00	2,905,400.15	0.00	-2,904,383.74	1,016.41
10061	WACHVA	00	06/13/2007	13,814.59	0.00	329.00	0.00	2,297,392.55	2,297,721.55
SYS10024	2,297,721.55	4.740	/ /	0.00	0.00	329.00	0.00	2,297,392.55	2,297,721.55
<b>Sub Totals For: Fund: Pooled Cash</b>									
				100,761.30	0.00	2,905,729.15	0.00	-606,991.19	2,298,737.96
				28,188.64	0.00	2,905,729.15	0.00	-606,991.19	2,298,737.96
<b>Fund: Pooled Cash- Crime Crime Control</b>									
10077	WACHVA	00A	09/01/2007	758.19	0.00	193,389.00	0.00	0.00	193,389.00
SYS10072	193,389.00	4.770	/ /	0.00	0.00	193,389.00	0.00	0.00	193,389.00
<b>Sub Totals For: Fund: Pooled Cash- Crime Crime Control</b>									
				758.19	0.00	193,389.00	0.00	0.00	193,389.00
				0.00	0.00	193,389.00	0.00	0.00	193,389.00
<b>Fund: 01-General Fund</b>									
10038	FHLMC	01	03/13/2007	12,622.50	0.00	507,633.60	0.00	1,936.15	509,569.75
3128X4GY1	510,000.00	5.216	11/15/2007	9,690.00	0.00	507,633.60	0.00	2,162.40	509,796.00
10035	FNMA	01	03/12/2007	11,746.53	0.00	424,575.00	0.00	276.39	424,851.39
3136F7QM2	425,000.00	5.114	01/18/2008	7,437.50	0.00	424,575.00	0.00	425.00	425,000.00
10002	FHLB	01	09/14/2006	10,800.00	1,013,350.00	0.00	1,000,000.00	-13,350.00	0.00
3133XFQ82	0.00	0.000	06/13/2008	13,350.00	1,000,250.00	0.00	1,000,000.00	-250.00	0.00
10031	FHLB	01	02/08/2007	6,898.39	0.00	200,000.00	0.00	0.00	200,000.00
3133XJRT7	200,000.00	5.330	08/08/2008	5,330.00	0.00	200,000.00	0.00	40.00	200,040.00
10043	FHLB	01	03/12/2007	18,010.42	0.00	697,156.25	0.00	1,092.48	698,248.73
3133X0AA7	700,000.00	5.310	08/20/2008	13,825.00	0.00	697,156.25	0.00	2,843.75	700,000.00

Portfolio CITY

City of Corinth  
Texas Compliance Change in Value Report  
October 1, 2006 - September 30, 2007

Inv #	Issuer	Fund	Purch Date	Interest Received	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date		Market Value				Market Value
10036	FNMA	01	03/12/2007	15,588.33	0.00	596,250.00	0.00	1,323.14	597,573.14
31331VBS4	600,000.00	5.118	10/06/2008	1,880.00	0.00	596,250.00	0.00	3,750.00	600,000.00
10070	FHLB	01	09/26/2007	234.37	0.00	493,000.00	0.00	4,625.89	497,625.89
31339XC28	500,000.00	4.554	12/19/2008	0.00	0.00	493,000.00	0.00	-500.00	492,500.00
10063	FHLB	01	08/31/2007	3,533.34	0.00	991,000.00	0.00	4,656.87	995,656.87
3133XA5W3	1,000,000.00	4.909	01/26/2009	0.00	0.00	991,000.00	0.00	3,000.00	994,000.00
10050	FHLMC	01	03/29/2007	22,750.00	0.00	993,906.25	0.00	1,633.38	995,539.63
3128X2TL9	1,000,000.00	4.839	02/18/2009	17,375.00	0.00	993,906.25	0.00	4,093.75	998,000.00
10016	TXSTAR	01	10/01/2006	28,536.66	0.00	2,109,160.02	0.00	-2,109,160.02	0.00
SYS10016	0.00	5.290	/ /	37,167.20	0.00	2,109,160.02	0.00	-2,109,160.02	0.00
10022	FEDER	01	01/09/2007	45,024.34	0.00	1,000,000.00	0.00	-1,000,000.00	0.00
SYS10022	0.00	5.120	/ /	43,551.46	0.00	1,000,000.00	0.00	-1,000,000.00	0.00
<b>Sub Totals For: Fund: 01-General Fund</b>									
				175,745.88	1,013,350.00	8,012,681.12	1,000,000.00	-3,106,965.72	4,919,065.40
				149,606.16	1,000,250.00	8,012,681.12	1,000,000.00	-3,093,595.12	4,919,336.00
<b>Fund: 02-Water/Sewer Operations</b>									
10055	FHLMC	02	04/16/2007	11,429.68	0.00	567,150.00	0.00	2,239.29	569,389.29
3134A4VF8	570,000.00	5.250	11/16/2007	2,078.12	0.00	567,150.00	0.00	2,622.00	569,772.00
10058	FNMA	02	05/30/2007	516.67	0.00	48,375.00	0.00	372.46	48,747.46
3136F3TR7	50,000.00	5.264	11/21/2008	470.84	0.00	48,375.00	0.00	1,635.00	50,010.00
10023	FEDER	02	01/25/2007	17,854.85	0.00	1,500,000.00	0.00	-1,500,000.00	0.00
SYS10023	0.00	5.190	/ /	13,348.55	0.00	1,500,000.00	0.00	-1,500,000.00	0.00
<b>Sub Totals For: Fund: 02-Water/Sewer Operations</b>									
				29,801.20	0.00	2,115,525.00	0.00	-1,497,388.25	618,136.75
				15,897.51	0.00	2,115,525.00	0.00	-1,495,743.00	619,782.00
<b>Fund: 03-Water/Sewer Capital Fund</b>									
10026	FNMA	03	02/14/2007	24,828.13	0.00	749,531.25	0.00	167.31	749,698.56
31359M2G7	750,000.00	5.282	11/20/2008	10,500.00	0.00	749,531.25	0.00	468.75	750,000.00

City of Corinth  
Texas Compliance Change in Value Report  
October 1, 2006 - September 30, 2007

Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10018	TXPOOL	03	10/01/2006	17,066.20	0.00	1,071,977.10	0.00	-1,071,977.10	0.00
SYS10018	0.00	5.272	/ /	18,100.52	0.00	1,071,977.10	0.00	-1,071,977.10	0.00
<b>Sub Totals For: Fund: 03-Water/Sewer Capital Fund</b>									
				41,894.33	0.00	1,821,508.35	0.00	-1,071,809.79	749,698.56
				28,600.52	0.00	1,821,508.35	0.00	-1,071,508.35	750,000.00
<b>Fund: 04-Debt Service</b>									
10054	FHLB	04	04/01/2007	7,880.00	0.00	400,000.00	0.00	0.00	400,000.00
3133XAC62	400,000.00	3.935	02/01/2008	5,253.33	0.00	400,000.00	0.00	-1,300.00	398,700.00
10057	FNMA	04	05/30/2007	1,033.33	0.00	96,750.00	0.00	744.92	97,494.92
3136F3TR7	100,000.00	5.264	11/21/2008	920.83	0.00	96,750.00	0.00	3,270.00	100,020.00
10071	FHLB	04	09/26/2007	234.37	0.00	493,000.00	0.00	4,625.89	497,625.89
31339XC28	500,000.00	4.554	12/19/2008	0.00	0.00	493,000.00	0.00	-500.00	492,500.00
10062	FHLB	04	06/20/2007	1,241.67	0.00	99,151.00	0.00	155.91	99,306.91
31339XU51	100,000.00	5.071	12/30/2008	104.17	0.00	99,151.00	0.00	574.00	99,725.00
<b>Sub Totals For: Fund: 04-Debt Service</b>									
				10,389.37	0.00	1,088,901.00	0.00	5,526.72	1,094,427.72
				6,278.33	0.00	1,088,901.00	0.00	2,044.00	1,090,945.00
<b>Fund: 06-Capital Project</b>									
10053	FHLB	06	04/01/2007	9,850.00	0.00	500,000.00	0.00	0.00	500,000.00
3133XAC62	500,000.00	3.935	02/01/2008	6,566.67	0.00	500,000.00	0.00	-1,625.00	498,375.00
10059	FNMA	06	05/30/2007	775.00	0.00	72,562.50	0.00	558.69	73,121.19
3136F3TR7	75,000.00	5.264	11/21/2008	706.25	0.00	72,562.50	0.00	2,452.50	75,015.00
10019	TXPOOL	06	10/01/2006	62,722.41	0.00	1,711,612.99	0.00	-732,634.97	978,978.02
SYS10019	978,978.02	5.133	/ /	67,365.03	0.00	1,711,612.99	0.00	-732,634.97	978,978.02
<b>Sub Totals For: Fund: 06-Capital Project</b>									
				73,347.41	0.00	2,284,175.49	0.00	-732,076.28	1,552,099.21
				74,637.95	0.00	2,284,175.49	0.00	-731,807.47	1,552,368.02
<b>Fund: 07-Recreation</b>									

Portfolio CITY

City of Corinth  
Texas Compliance Change in Value Report  
October 1, 2006 - September 30, 2007

Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10013	TXSTAR	07	10/01/2006	351.57	0.00	22,034.93	0.00	-22,034.93	0.00
SYS10013	0.00	5.292	/ /	372.77	0.00	22,034.93	0.00	-22,034.93	0.00
<b>Sub Totals For: Fund: 07-Recreation</b>									
				351.57	0.00	22,034.93	0.00	-22,034.93	0.00
				372.77	0.00	22,034.93	0.00	-22,034.93	0.00
<b>Fund: 10-Street Maint Sales Tax</b>									
10028	FHLB	10	02/08/2007	10,349.08	0.00	300,000.00	0.00	0.00	300,000.00
3133XJRT7	300,000.00	5.330	08/08/2008	7,995.00	0.00	300,000.00	0.00	60.00	300,060.00
<b>Sub Totals For: Fund: 10-Street Maint Sales Tax</b>									
				10,349.08	0.00	300,000.00	0.00	0.00	300,000.00
				7,995.00	0.00	300,000.00	0.00	60.00	300,060.00
<b>Fund: 13-Special Revenue</b>									
10027	FHLB	13	02/14/2007	6,620.83	0.00	245,375.00	0.00	1,555.37	246,930.37
3133X9ST8	250,000.00	5.246	12/29/2008	3,937.50	0.00	245,375.00	0.00	3,062.50	248,437.50
<b>Sub Totals For: Fund: 13-Special Revenue</b>									
				6,620.83	0.00	245,375.00	0.00	1,555.37	246,930.37
				3,937.50	0.00	245,375.00	0.00	3,062.50	248,437.50
<b>Fund: 14-Eco Dev Corp 4(B)</b>									
10045	FHLMC	14	03/16/2007	2,166.67	0.00	99,135.70	0.00	655.79	99,791.49
3128X3KU6	100,000.00	5.240	12/03/2007	855.56	0.00	99,135.70	0.00	714.30	99,850.00
10041	FHLB	14	03/20/2007	2,090.39	0.00	98,965.00	0.00	635.64	99,600.64
3133XAC62	100,000.00	5.175	02/01/2008	1,433.72	0.00	98,965.00	0.00	710.00	99,675.00
10034	FHLB	14	03/12/2007	6,432.29	0.00	248,984.38	0.00	390.17	249,374.55
3133X0AA7	250,000.00	5.310	08/20/2008	4,937.50	0.00	248,984.38	0.00	1,015.62	250,000.00
10007	TXPOOL	14	10/01/2006	43,002.50	0.00	1,098,578.92	0.00	-255,596.41	842,982.51
SYS10007	842,982.51	5.133	/ /	44,403.59	0.00	1,098,578.92	0.00	-255,596.41	842,982.51
10009	TXPOOL	14	10/01/2006	5,380.09	0.00	63,813.92	0.00	-63,813.92	0.00
SYS100099	0.00	4.750	/ /	1,644.03	0.00	63,813.92	0.00	-63,813.92	0.00

Portfolio CITY

City of Corinth  
Texas Compliance Change in Value Report  
October 1, 2006 - September 30, 2007

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10021	NTHSTR	14	10/01/2006	2,289.32	0.00	117,493.25	0.00	-117,493.25	0.00
SYS10021	0.00	4.750	/ /	0.00	0.00	117,493.25	0.00	-117,493.25	0.00
10072	WACHVA	14	07/10/2007	3,248.36	0.00	238,961.78	0.00	26,096.96	265,058.74
SYS10072	265,058.74	4.770	/ /	0.00	0.00	238,961.78	0.00	26,096.96	265,058.74
<b>Sub Totals For: Fund: 14-Eco Dev Corp 4(B)</b>									
				64,609.62	0.00	1,965,932.95	0.00	-409,125.02	1,556,807.93
				53,274.40	0.00	1,965,932.95	0.00	-408,366.70	1,557,566.25
<b>Fund: 44-Water/Sewer Imp Fees</b>									
10040	FHLMC	44	03/16/2007	3,250.00	0.00	148,703.55	0.00	983.69	149,687.24
3128X3KU6	150,000.00	5.240	12/03/2007	1,283.33	0.00	148,703.55	0.00	1,071.45	149,775.00
10014	TXSTAR	44	10/01/2006	5,699.59	0.00	357,237.55	0.00	-357,237.55	0.00
SYS10014	0.00	5.292	/ /	6,043.30	0.00	357,237.55	0.00	-357,237.55	0.00
10052	TXSTAR	44	03/31/2007	7,388.11	0.00	400,000.00	0.00	-256,999.05	143,000.95
SYS10013	143,000.95	5.118	/ /	6,792.91	0.00	400,000.00	0.00	-256,999.05	143,000.95
<b>Sub Totals For: Fund: 44-Water/Sewer Imp Fees</b>									
				16,337.70	0.00	905,941.10	0.00	-613,252.91	292,688.19
				14,119.54	0.00	905,941.10	0.00	-613,165.15	292,775.95
<b>Fund: 46 - Storm Water Utilities</b>									
10056	FHLMC	46	04/16/2007	1,002.60	0.00	49,750.00	0.00	196.43	49,946.43
3134A4VF8	50,000.00	5.250	11/16/2007	182.29	0.00	49,750.00	0.00	230.00	49,980.00
10025	FNMA	46	02/14/2007	8,276.04	0.00	249,843.75	0.00	55.77	249,899.52
31359M2G7	250,000.00	5.282	11/20/2008	3,500.00	0.00	249,843.75	0.00	156.25	250,000.00
10060	FNMA	46	05/30/2007	268.33	0.00	24,187.50	0.00	186.23	24,373.73
3138F3TR7	25,000.00	5.264	11/21/2008	235.41	0.00	24,187.50	0.00	817.50	25,005.00
<b>Sub Totals For: Fund: 46 - Storm Water Utilities</b>									
				9,536.97	0.00	323,781.25	0.00	438.43	324,219.68
				3,917.70	0.00	323,781.25	0.00	1,203.75	324,985.00

Fund: 50- Water 2007 C.O.

Portfolio CITY

City of Corinth  
Texas Compliance Change in Value Report  
October 1, 2006 - September 30, 2007

Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10066	TXPOOL	50	09/19/2007	37,409.52	0.00	7,262,899.00	0.00	11,907.70	7,274,806.70
SYS10009	7,274,806.70	5.133	/ /	11,907.70	0.00	7,262,899.00	0.00	11,907.70	7,274,806.70
<b>Sub Totals For: Fund: 50- Water 2007 C.O.</b>									
				37,409.52	0.00	7,262,899.00	0.00	11,907.70	7,274,806.70
				11,907.70	0.00	7,262,899.00	0.00	11,907.70	7,274,806.70
<b>Fund: 60- Wastewater 2007</b>									
10067	TXPOOL	60	09/19/2007	10,037.46	0.00	6,948,729.00	0.00	11,392.61	6,960,121.61
SYS10009	6,960,121.61	5.133	/ /	11,392.61	0.00	6,948,729.00	0.00	11,392.61	6,960,121.61
<b>Sub Totals For: Fund: 60- Wastewater 2007</b>									
				10,037.46	0.00	6,948,729.00	0.00	11,392.61	6,960,121.61
				11,392.61	0.00	6,948,729.00	0.00	11,392.61	6,960,121.61
<b>Fund: 70 - Streets 2007 CIP</b>									
10064	TXPOOL	70	09/19/2007	29,531.08	0.00	7,044,207.26	0.00	11,549.15	7,055,756.41
SYS10009	7,055,756.41	5.133	/ /	11,549.15	0.00	7,044,207.26	0.00	11,549.15	7,055,756.41
<b>Sub Totals For: Fund: 70 - Streets 2007 CIP</b>									
				29,531.08	0.00	7,044,207.26	0.00	11,549.15	7,055,756.41
				11,549.15	0.00	7,044,207.26	0.00	11,549.15	7,055,756.41
<b>Fund: 80 - Drainage 2007</b>									
10068	TXPOOL	80	09/19/2007	7,944.74	0.00	1,621,072.00	0.00	2,657.78	1,623,729.78
SYS10009	1,623,729.78	5.133	/ /	2,657.78	0.00	1,621,072.00	0.00	2,657.78	1,623,729.78
<b>Sub Totals For: Fund: 80 - Drainage 2007</b>									
				7,944.74	0.00	1,621,072.00	0.00	2,657.78	1,623,729.78
				2,657.78	0.00	1,621,072.00	0.00	2,657.78	1,623,729.78
<b>Fund: 90-All Departmental</b>									
10065	TXPOOL	90	09/19/2007	5,245.82	0.00	1,251,313.40	0.00	2,051.56	1,253,364.96
SYS100099	1,253,364.96	5.133	/ /	2,051.56	0.00	1,251,313.40	0.00	2,051.56	1,253,364.96
<b>Sub Totals For: Fund: 90-All Departmental</b>									
				5,245.82	0.00	1,251,313.40	0.00	2,051.56	1,253,364.96
				2,051.56	0.00	1,251,313.40	0.00	2,051.56	1,253,364.96

City of Corinth  
 Texas Compliance Change in Value Report  
 October 1, 2006 - September 30, 2007

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Market Value				Market Value
				630,672.07	1,013,350.00	46,313,195.00	1,000,000.00	-8,012,564.77	38,313,980.23
				426,384.82	1,000,250.00	46,313,195.00	1,000,000.00	-7,997,282.86	38,316,162.14
<b>Report Grand Totals:</b>									



City of Corinth, Texas

ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2007*



**APPENDIX B**

**First Southwest Portfolio Assessment**





**City of Corinth, Texas**  
Review of Investment Report  
Quarter Ending September 30, 2007

*Fund Groups Included: Pooled, Eco Development, and Crime Control*

**Summary of Exceptions**

The following exception(s) were noted during our review of the above-captioned investment report:

NONE detected

Signature redacted

Scott D. McIntyre, CFA  
Senior Vice President  
First Southwest Asset Management, Inc.

10/29/07

Date

**City of Corinth, Texas**  
Portfolio Assessment  
Quarter Ending September 30, 2007

After careful review of the City portfolios, the following observations were made:

▪ **Consolidated Portfolio**

- Yield-to-Maturity is 5.06%
- WAM is 81 days
- Net Asset Value is 1.000
- Percentage Liquid – 75%

The portfolio yield is above the overnight fed funds target rate of 4.75%, but will likely move downward quickly as evidenced by the short 81-day WAM. The WAM is short primarily due to an inflow of bond proceeds in September that were placed into Texpool, which has a one(1) day maturity. Liquidity is high with so much concentrated in the pool.

▪ **Eco Development**

- Yield-to-Maturity is 5.109%
- WAM is 65 days
- Net Asset Value is 1.000
- Percentage Liquid – 71%

The portfolio yield is well above the overnight fed target, but similar to the consolidated portfolio, will move down quickly with the short WAM exposing the portfolio to the current low interest rate environment.

▪ **Crime Prevention**

- Yield-to-Maturity is 4.74%
- WAM is 1 day
- Net Asset Value is 1.000
- Percentage Liquid – 100%

This portfolio is 100% liquid. The small size of the portfolio suggests that investment pools are an acceptable investment choice in all market conditions.

Signature redacted

Scott D. McIntyre, CFA  
Senior Vice President

10/29/07

Date



**First Southwest Asset Management, Inc.**  
An Affiliate of First Southwest Company

**CITY OF CORINTH**  
**ANNUAL INVESTMENT REVIEW**  
For Year Ending: September 30, 2007

*Fund Groups Included: Pooled, Eco Development, and Crime Control*

**Documents Necessary for Completion of Review:**

- ✓ Annual Investment Report (Qtr)
- ✓ Quarterly Investment Reports
- ✓ Sympro Portfolio Management Reports
- ✓ Collateral Confirmation Reports

**Policy Requirements:**

- ✓ Unless matched to a specific cash flow, the City may not invest in a security maturing more than two (2) years from the date of purchase.
- ✓ The entire City portfolio, or single pooled fund group if utilized, shall maintain a maximum average dollar-weighted maturity, based on the stated maturity date, of less than two hundred seventy (270) days.
- ✓ Portfolio Limitations: U.S. Treasuries-85%; U.S. Agencies-75%; Investment Pools (per pool)-75%; Repurchase Agreements-75%; CD's-50%, Money Market Funds(per fund)-50%.
- ✓ All deposits (including CD's and Repurchase Agreements) shall be secured by pledged collateral with market value no less than 102% of the principal plus accrued interest less an amount insured by FDIC.
- ✓ Collateral will be reviewed monthly to ensure the market value of the securities pledged exceeds investments.
- ✓ The City may not invest in any single money market fund, a dollar amount that exceeds 10% of the total assets of that fund.
- ✓ Business with any single security type or any one financial institution may not exceed 50%.

**Report Mechanics:**

- ✓ Par, Cost, Book, and Market Value = amounts on the Sympro Portfolio Report.
- ✓ Security prices checked and reasonable.
- ✓ Percentage of Market Value to Book Value looks reasonable.
- ✓ Summary totals agree to totals of Reconciliation.
- ✓ WAM looks reasonable according to Sales & Purchases, Fund Type, & Policy.

- ✓ Change to Market Value and WAM agree to Quarterly reconciliation change to value + Sales and Purchases Change.
- ✓ Review and question any major changes in Change to Market Value or WAM on Book and Market Report.
- ✓ Check ending totals and WAM to Sympro Report.
- ✓ Review Purchases and Sales for compliance with Policy.
- ✓ All securities are recorded in proper categories.
- ✓ Randomly agree beginning book/market to ending prior quarter.
- ✓ Review concentration of broker transactions.
- ✓ Sign Page 1 and return the original to Lee Ann Bunselmeyer.

Signature redacted

~~Scott McIntyre, CFA~~  
Senior Vice President

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2007*



**APPENDIX C**

**Glossary**



## Glossary

**Accrued Interest** - In the sale of a new issue of municipal bonds, the dollar amount, based on the stated rate or rates of interest, which has accrued on the bonds from the dated date, or other stated date, up to but not including the date of delivery. When a bond is purchased in the secondary market, the dollar amount, based upon the stated rate of interest, which has accrued on the bond from the most recent interest payment date, up to but not including the date of settlement. Accrued interest is paid to the seller by the purchaser and is usually calculated on a 360-day-year basis (assumes each month has 30 days).

**Agencies** – Federal agency securities.

**Arbitrage** – Generally, transactions by which securities are bought and sold in different markets at the same time for the sake of the profit arising from a difference in prices in the two markets. With respect to the issuance of municipal bonds, arbitrage usually refers to the difference between the interest paid on the bonds issued and the interest earned by investing the bond proceeds in other securities. Arbitrage profits are permitted on bond proceeds for various temporary periods after issuance of municipal bonds. Internal Revenue Service regulations govern arbitrage of municipal bond proceeds.

**Asked** – The price at which securities are offered.

**Bankers' Acceptance (BA)** – A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**Bearer Bond** – Bond which is presumed to be owned by the person who holds it. The Tax Equity and Fiscal Responsibility Act of 1982 requires the issuance of municipal bonds in fully registered form, with minor exceptions.

**Bid** – The price offered by a buyer of securities. (When you are selling securities, you ask for a bid).

**Book Value** – The original acquisition cost of an investment plus or minus the accrued amortization or accretion.

**Broker** – A broker brings buyers and sellers together for a commission.

**Callable Bond** – a bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**Call Price** – The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

**Call Risk** – The risk to a bondholder that a bond may be redeemed prior to maturity.

**Capital Appreciation Bond** – Long-term tax exempt security sold at a large discount. Yield is reinvested at a stated rate until maturity at which time the investor receives total payment. Latter represents both principal and interest.

**Certificate of Deposit (CD)** – A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

**Collateral** – Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**Commercial Paper (tax-exempt)** – Short-term, unsecured promissory notes issued in either registered or bearer form, and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30 – 45 days.

**Comprehensive Annual Financial Report (CAFR)** – The official annual report for the City of Denton. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance related to legal and contractual provision, extensive introductory material, and a detailed Statistical Section.

**Coupon** – (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

**Current Yield** – The ratio of the annual dollar amount of interest to the purchase price of a bond, stated as a percentage. For example, a \$1,000 bond purchased at par with an 8% coupon pays \$80 per year, or a current yield of 8%. The same bond, if purchased at a discounted price of \$800, would have a current yield of 10%.

**Dated Date** – The date of a bond issue, printed on each bond, from which interest usually starts to accrue, even though the bonds may actually be delivered at some later date.

**Dealer** – A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**Debenture** – A bond secured only by the general credit of the issuer.

**Delivery Date** – Date on which the bonds are physically delivered in exchange for the payment of the purchase price. The date of issuance is the same date as the delivery date.

**Delivery Versus Payment** – There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**Discount** – The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**Discount Securities** – Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

**Diversification** – Dividing investment funds among a variety of securities offering independent returns.

**Federal Credit Agencies** – Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S & L's small business firms, students, farmers, farm cooperatives, and exporters.

**Federal Deposit Insurance Corporation (FDIC)** – A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

**Federal Funds Rate** – The rate of interest at which federal funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

**Federal Home Loan Banks (FHLB)** – The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

**Federal National Mortgage Association (FNMA)** – FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**Federal Open Market Committee (FOMC)** – Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**Federal Reserve System** – The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

**Fiscal Year** – A twelve-month period which determines the time frame for financial reporting, budgeting, and accounting. At the end of the fiscal year, financial position and results of operations are determined.

**Government National Mortgage Association (GNMA or Ginnie Mae)** – Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term “pass throughs” is often used to describe Ginnie Maes.

**Interest** – Compensation for the use of borrowed money, generally expressed as an annual percentage of the principal amount.

**Liquidity** – Usually refers to the ability to convert assets (such as investments) into cash.

**Market Value** – The Current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

**Master Repurchase Agreement** – A written contract covering all future transactions between the parties to repurchase – reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**Maturity** – The date upon which the principal of a municipal bond becomes due and payable to the bondholder.

**Money Market** – The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**Note** – A written, short-term promise of the issuer to repay a specified principal amount on a certain date, together with interest at a stated rate, or according to a formula for determining that rate, payable from a defined source of anticipated revenue. Notes usually mature in less than five years.

**Offer** – The price asked by a seller of securities. (When you are buying securities, you ask for an offer.)

**Open Market Operations** – Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves in the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**Original Issue Discount** – An amount which represents the difference by which par value exceeds the public offering price of a new issue or part of an issue of municipal bonds. Original issue discount is amortized over the life of the bonds and is generally treated as tax-exempt interest. When the investor sells the bonds before maturity, any profit or loss realized on such sale is figured on the adjusted cost basis for tax purposes. The adjusted cost basis is calculated for each year the bonds are outstanding by adding the accretion value to the original offering price. The accretion value is determined by the rules and regulations of the Internal Revenue Service. Selling the bonds at a price in excess of the adjusted cost basis would result in a taxable gain for the seller, while a selling price below that level would be treated as a loss for income tax purposes.

**Par Value** – In the case of bonds, the amount of principal which must be paid at maturity. Par value is also referred to as the face amount of a security.

**Pooled Fund Group** – An internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

**Portfolio** – Collection of securities held by an investor.

**Premium** – The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

**Primary Dealer** – A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) – registered securities broker-dealers, banks, and a few unregulated firms.

**Primary Market** – The market for new issues of municipal securities.

**Principal** – The face amount or par value of a bond or issue of bonds payable on stated dates of maturity.

**Prudent Person Rule** – An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal

list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**Qualified Public Depositories** – A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

**Qualified Representative** – A Person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

- (a) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;
- (b) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution; or
- (c) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool.

**Rate of Return** – The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

**Ratings** – Evaluations of the credit quality of notes and bonds usually made by independent rating services, although many financial institutions also rate bonds for their own purposes. Ratings generally measure the probability of the timely repayment of principal of and interest on municipal bonds. Ratings are initially made before issuance and are continuously reviewed and may be amended to reflect changes in the issuer's credit position. The information required by the rating agencies varies with each bond issue, but generally includes demographics, debt burden, economic base, finances, and management structure. The information is evaluated and the issue is assigned a letter rating which reflects the creditworthiness of the bonds. The higher the credit rating, the more favorable the effect on the marketability of the bond.

**Repurchase Agreement** - A simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1), at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

**Safekeeping** – A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**Secondary Market** – A market made for the purchase and sale of outstanding issues following the initial distribution.

**Securities and Exchange Commission or SEC** – The federal agency responsible for supervising and regulating the securities industry. Generally, municipal securities are exempt from the SEC's registration and reporting requirements. However, the SEC has responsibility for the approval of Municipal Securities Rulemaking Board rules, and has jurisdiction, pursuant to SEC Rule 10b-5, over fraud in the sale of municipal securities.

**Security** – Generally, evidence of debt or equity in a common enterprise in which a person invests in the expectation of earning income. The term includes notes, stocks, bonds, debentures, mortgages, and other forms of negotiable and non-negotiable evidences of indebtedness or ownership. Unless exempted, as are municipal bonds, securities transactions are subject to federal and state regulation.

**Separately Invested Asset** – An account or fund of a state agency or local government that is not invested in a pooled fund group.

**Treasury Securities** – Debt obligations of the United States Government sold by the Treasury Department in the forms of bills, notes, and bonds.

**Bills** – Short-term obligations which mature in one year or less, and are sold at a discount in lieu of paying periodic interest.

**Notes** – Interest bearing obligations which mature between one year and 10 years.

**Bonds** – Interest bearing long-term obligations which generally mature in 10 years or more.

**Yield Curve** – A graph which plots the yields on securities with equivalent quality but different maturities, at a given point in time. The vertical axis represents the interest rates, while the horizontal axis depicts the years to maturity. The term structure of interest rates, as reflected by the yield curve, will vary according to market conditions, resulting in a variety of yield curve configurations.

**Normal or Positive Yield Curve** – Indicates that short-term securities have a lower interest rate than long-term securities.

**Inverted or Negative Yield Curve** – Reflects the situation of short-term rates exceeding long-term rates.

**Flat Yield Curve** – Reflects the situation when short and long-term rates are the same.

**Humpback Yield Curve** – An unusual shape, indicating that rates are rising in the early years, peaking in the middle years and declining in later years.

**Yield to Maturity** – The rate of return to the investor earned from payments of principal and interest, with interest compounded semiannually and assuming that interest paid is reinvested at the same rate. Yield to maturity takes into account the time value of the investment.

**Zero Coupon Bond** – A bond which pays no interest, but is issued at a deep discount from par, appreciating to its full value at maturity.