

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

For Fiscal Year Ended September 30, 2008



Don Locke
Acting City Manager

Lee Ann Bunselmeyer
Acting Director of Finance

Prepared By:

Chris Rodriguez
Bond & Debt Manager

ANNUAL INVESTMENT REPORT

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December 16, 2008

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 was last reviewed and adopted on February 21, 2008. 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 Bond & Debt 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. 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.

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.

CITY OF CORINTH
ANNUAL INVESTMENT REPORT
For Period Ending September 30, 2008

Security Type	% Of Mkt to Book	Par Value	Book Value	Market Value
U. S. Federal Agency-Coupon	99.22%	\$9,335,000	\$9,571,916	\$9,497,224
U.S. Federal Agency -Callable	99.69%	10,730,000	10,753,040	10,719,244
Managed Pools	100.00%	12,421,649	12,421,649	12,421,649
Bank Cash	100.00%	1,986,808	1,986,808	1,986,808
	<u>99.69%</u>	<u>\$34,473,457</u>	<u>\$34,733,413</u>	<u>\$34,624,924</u>

PORTFOLIO SUMMARY REPORT

Beginning Par Value as of 9/30/2007	\$36,593,496
Beginning Book Value as of 9/30/2007	\$36,563,783
Beginning Market Value as of 9/30/2007	\$36,565,207
WAM at Beginning Date (Days)	81
Ending Par Value as of 9/30/2008	\$34,473,457
Ending Book Value as of 9/30/2008	\$34,733,413
Ending Market Value as of 9/30/2008	\$34,624,924
WAM at Ending Date (Days)	328
Change to Market Value ⁽¹⁾	(\$1,940,283)

⁽¹⁾ Change in Market Value is due to a decrease in the portfolio balance for capital project expenditures and reimbursement resolutions approved during FY2007-08.

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

Lee Ann Bunselmeyer
Acting Director of Finance

Signature redacted

Chris Rodriguez
Bond & Debt Manager

Signature redacted

Scott McIntyre, First Southwest Asset Management

Investment Strategies Compliance Report
For Period Ending September 30, 2008

OPERATING FUNDS

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 9/30/2007	8,460,160
Beginning Market Value as of 9/30/2007	8,462,901
WAM at Beginning Date (Days)	242
Ending Book Value as of 9/30/2008	7,440,516
Ending Market Value as of 9/30/2008	7,430,306
Unrealized Gain/(Loss)	(10,210)
Change to Market Value ⁽¹⁾	(1,032,595)
WAM at Ending Date (Days)	241
WAM Policy Benchmark ≤	270

⁽¹⁾ Change in Market Value is due to a decrease in the portfolio balance for reimbursement resolutions approved during FY2007-08.

RESERVE FUNDS

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 9/30/2007	1,094,428
Beginning Market Value as of 9/30/2007	1,090,945
WAM at Beginning Date (Days)	326
Ending Book Value as of 9/30/2008	1,510,625
Ending Market Value as of 9/30/2008	1,501,717
Unrealized Gain/(Loss)	(8,908)
Change to Market Value ⁽²⁾	410,772
WAM at Ending Date (Days)	365
WAM Policy Benchmark ≤	365

⁽²⁾ Change in Market Value is due to the addition of the Water/Wastewater Interest and Sinking Fund to cover the February debt service payments as required by bond covenants.

Investment Strategies Compliance Report

For Period Ending September 30, 2008

BOND FUNDS

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 9/30/2007	26,469,577
Beginning Market Value as of 9/30/2007	26,470,147
WAM at Beginning Date (Days)	1
Ending Book Value as of 9/30/2008	24,772,131
Ending Market Value as of 9/30/2008	24,692,447
Unrealized Gain/(Loss)	(79,684)
Change to Market Value ⁽¹⁾	(1,777,701)
WAM at Ending Date (Days)	355
WAM Policy Benchmark \leq	365

⁽¹⁾ Change in Market Value is due to a decrease in the portfolio balance for capital project expenditures.

SPECIAL PURPOSE FUNDS

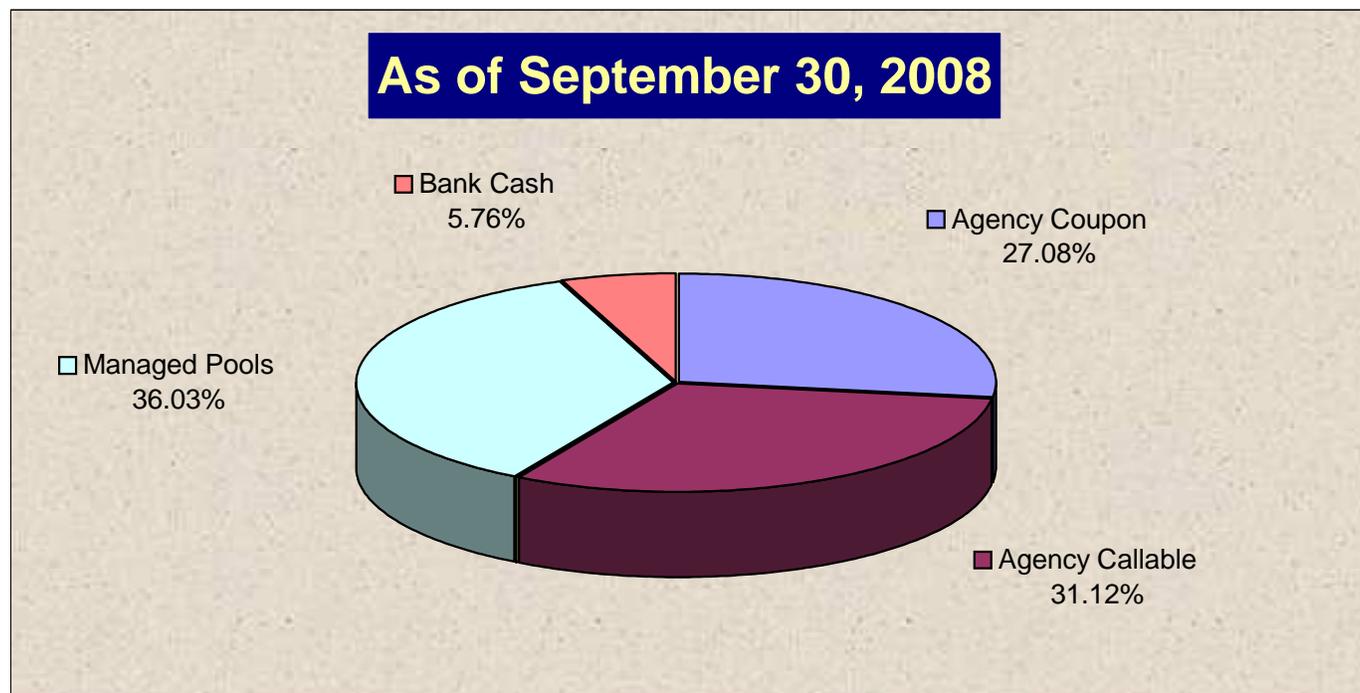
Investment strategies for construction projects or special purpose fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility 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 9/30/2007	539,619
Beginning Market Value as of 9/30/2007	541,213
WAM at Beginning Date (Days)	185
Ending Book Value as of 9/30/2008	1,010,141
Ending Market Value as of 9/30/2008	1,000,454
Unrealized Gain/(Loss)	(9,686)
Change to Market Value ⁽²⁾	459,241
WAM at Ending Date (Days)	252
WAM Policy Benchmark \leq	270

⁽²⁾ Change in Market Value is due to the receipt of impact fees during the year.

ANNUAL INVESTMENT REPORT
Portfolio Summary By Market Sector

Market Sector	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
U.S. Federal Agency -Coupon	\$6,300,000	\$7,425,000	\$10,125,000	\$9,335,000
U.S. Federal Agency-Callable	10,730,000	10,430,000	11,130,000	10,730,000
U.S. Federal Agency -Discount	0	0	0	0
Managed Pools	15,041,785	17,673,137	14,743,286	12,421,649
Money Market	0	0	0	0
Bank Cash	3,925,756	2,465,197	1,786,134	1,986,808
Total Par Value:	\$35,997,541	\$37,993,334	\$37,784,420	\$34,473,457



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.

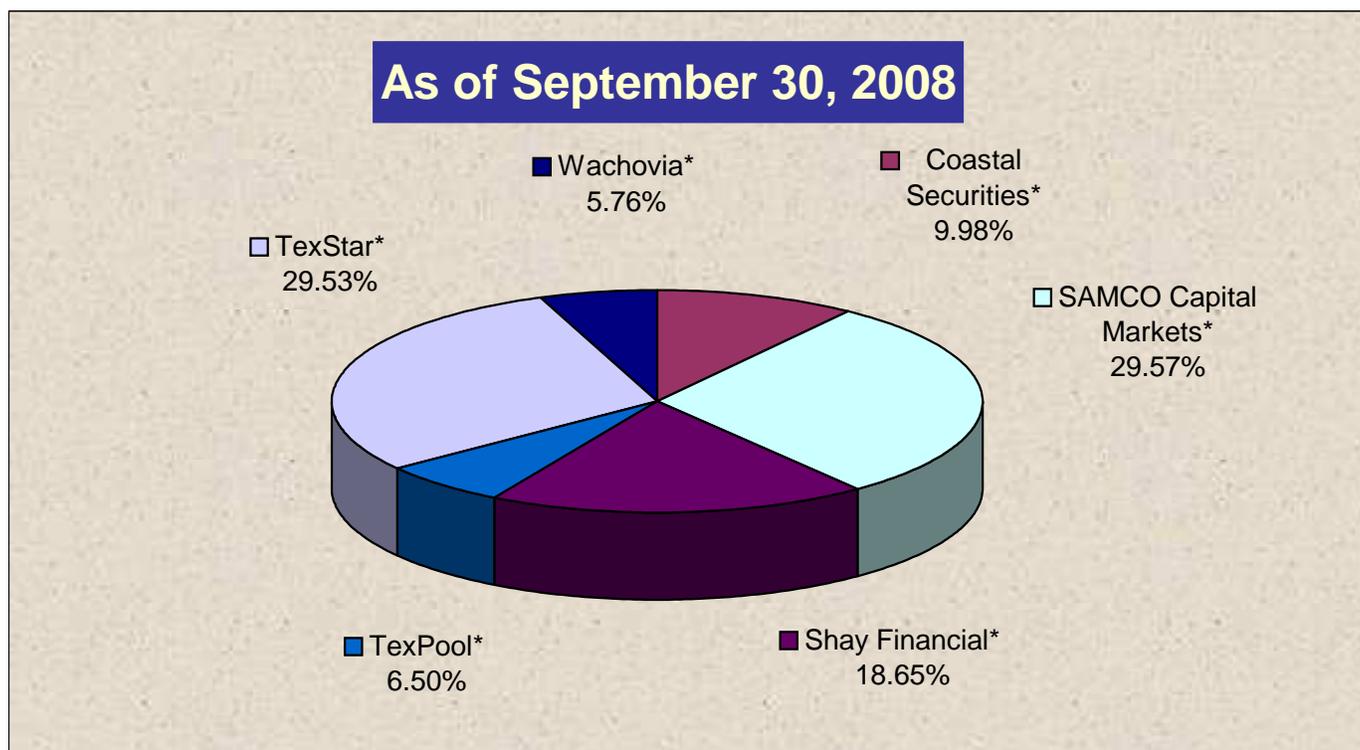
Performance Indicators	Policy				
	Benchmark	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
Average Yield to Maturity		4.53%	3.27%	2.86%	2.92%
≥ Policy Benchmark-(Six Month T-Bill)		3.15%	1.48%	2.18%	1.68%
Callable Securities ≤	30.00%	29.81%	27.45%	29.46%	31.13%
Investment By Type ≤					
U.S. Treasuries	100.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies	100.00%	47.30%	47.00%	56.25%	58.21%
Managed Pools	50.00%	41.79%	46.51%	39.02%	36.03%
Money Market	50.00%	0.00%	0.00%	0.00%	0.00%
Cash	100.00%	10.91%	6.49%	4.73%	5.76%

Note: The portfolio exceeds the benchmark for callable securities in Sept., but is below the benchmark in Oct. 2008. The Average Yield to Maturity exceeds the Policy Benchmark for all four quarters of the year.

ANNUAL INVESTMENT REPORT
Portfolio Summary By Broker/Dealer

	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
Broker/Dealer				
Bank of America	\$0	\$0	\$0	\$0
Coastal Securities*	2,600,000	0	1,700,000	3,440,000
Dain Rauscher	0	0	0	0
SAMCO Capital Markets*	4,850,000	9,125,000	12,225,000	10,195,000
Shay Financial*	9,580,000	8,730,000	7,330,000	6,430,000
Total Broker/Dealer	<u>\$17,030,000</u>	<u>\$17,855,000</u>	<u>\$21,255,000</u>	<u>\$20,065,000</u>
Managed Pools/ Depository Bank				
Federated	\$0	\$0	\$0	\$0
TexPool*	14,897,078	4,512,579	2,226,933	2,239,939
TexStar*	144,707	13,160,558	12,516,353	10,181,710
Wachovia*	3,925,756	2,465,197	1,786,134	1,986,808
NorthStar Bank	0	0	0	0
Total Managed Pools/Depository Bank	<u>\$18,967,541</u>	<u>\$20,138,334</u>	<u>\$16,529,420</u>	<u>\$14,408,457</u>
Total Par Value:	<u><u>\$35,997,541</u></u>	<u><u>\$37,993,334</u></u>	<u><u>\$37,784,420</u></u>	<u><u>\$34,473,457</u></u>

(*) Denotes Active Brokers, Managed Pools, and Depository Bank for Fiscal Year 2007-2008

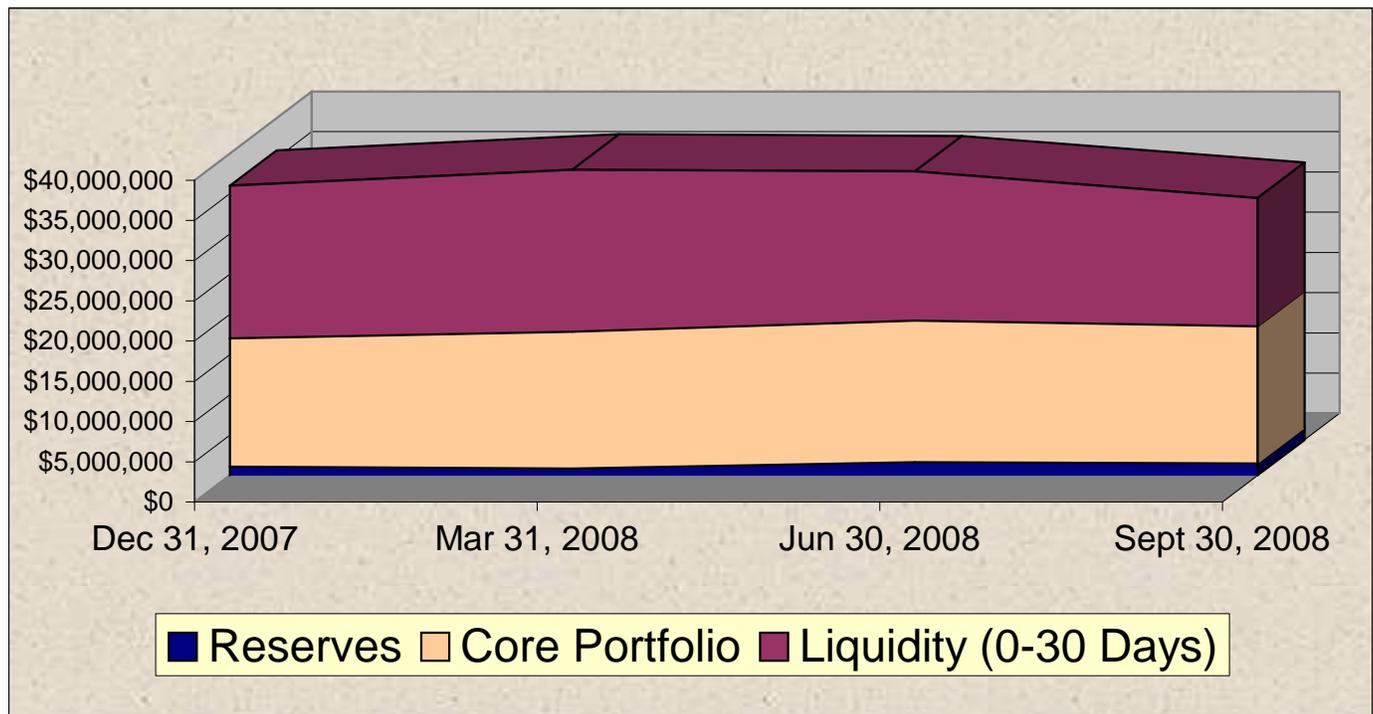


To guard against default possibilities, and to promote diversification of bidders, business with any one issuer, or investment broker, is limited to forty (40%) percent of the total portfolio at any point in time. As shown in the table below, the portfolio adhered to this provision throughout the quarter.

Performance Indicators	Policy	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
	Benchmark				
Highest Broker Percent ≤	40.00%	26.61%	24.02%	32.35%	29.57%

ANNUAL INVESTMENT REPORT
Portfolio Summary By Maturity

Maturity Time Frame	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
0-30 Days	\$18,967,541	\$20,138,334	\$18,529,420	\$15,958,457
31-90 Days	900,000	0	500,000	500,000
91-180 Days	0	2,500,000	1,750,000	500,000
181-270 Days	2,500,000	1,750,000	0	200,000
271-360 Days	4,350,000	0	0	2,360,000
361-450 Days	2,350,000	4,200,000	2,200,000	2,730,000
451-540 Days	4,200,000	500,000	3,730,000	0
541 Days & Over	2,730,000	8,905,000	11,075,000	12,225,000
	<u>\$35,997,541</u>	<u>\$37,993,334</u>	<u>\$37,784,420</u>	<u>\$34,473,457</u>



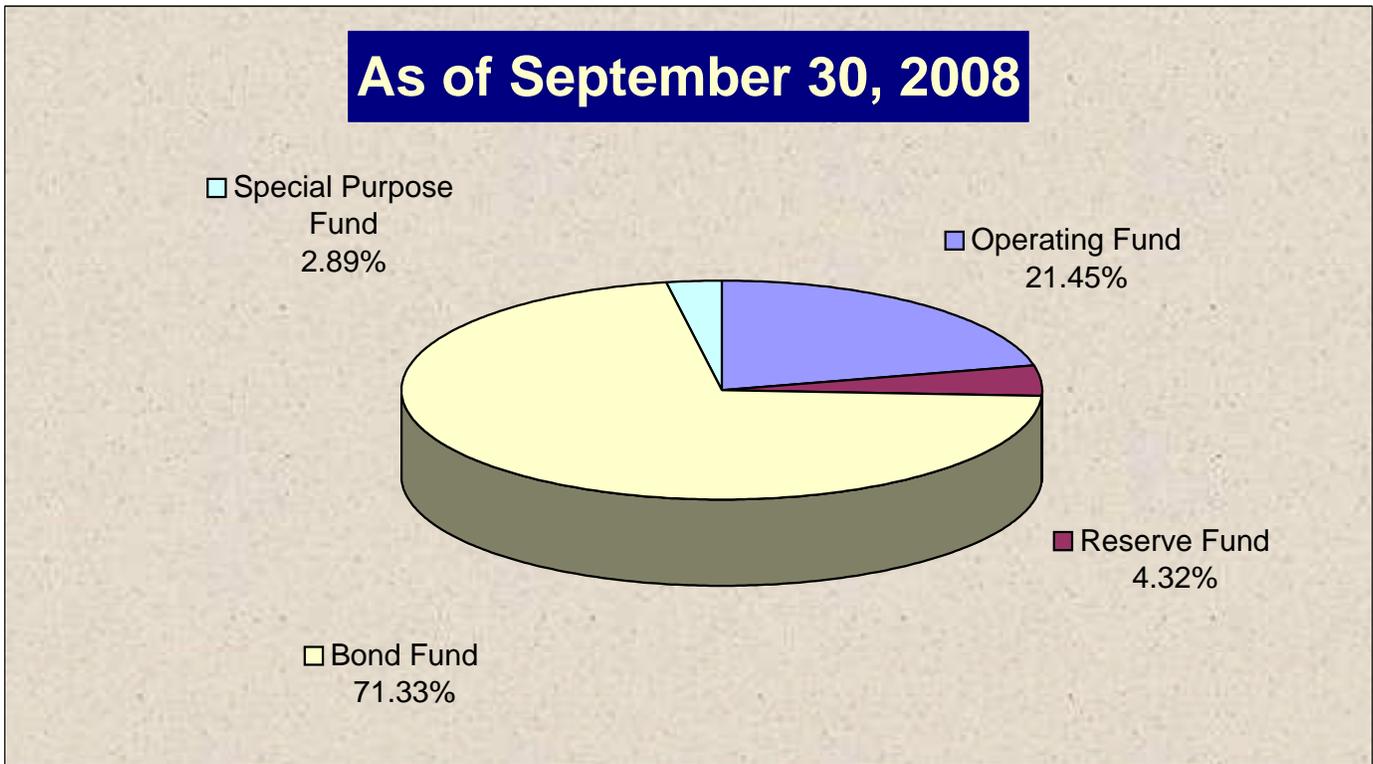
The risk of market price volatility is minimized through maturity diversification. The maturities on our investments are staggered over a series of three-month increments to provide cash flow based on the anticipated needs of the City. Liquidity is achieved by matching investment maturities with forecasted 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	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
	Benchmark				
Weighted Avg. Maturity \leq	365 Days	193	262	333	328
Maturities \leq 30 days \geq	5.00%	52.69%	53.00%	49.04%	46.29%

Note: The portfolio is within the benchmark limits for the Weighted Average Maturity and liquidity is at 46% at the end of the fiscal year.

ANNUAL INVESTMENT REPORT
Portfolio Summary By Fund Type

Fund Type	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
Operating Fund	\$10,200,755	\$12,142,753	\$12,078,300	\$7,395,665
Reserve Fund	1,100,000	850,000	1,620,000	1,490,000
Bond Fund	21,327,079	24,304,728	23,159,437	24,590,298
Special Purpose Fund	3,369,707	695,853	926,683	997,493
	\$35,997,541	\$37,993,334	\$37,784,420	\$34,473,457



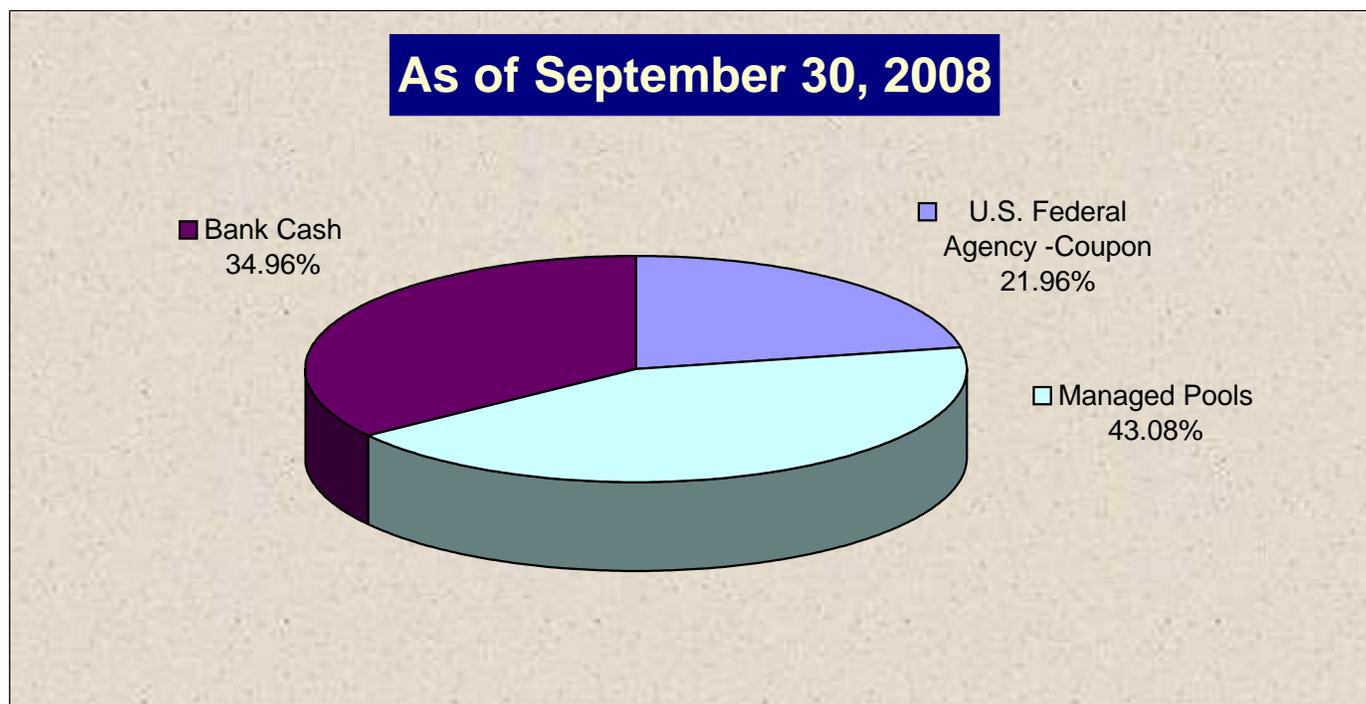
As shown in the graph above, the investments in the portfolio are distributed by fund type. Preservation and safety of principal of these investments is the most important strategy. All investments shall be high quality securities with no perceived default risk. Market fluctuations will occur; however,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

Performance Indicators	Policy	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
	Benchmark				
WAM by Fund ≤					
Operating	270 Days	205	222	271	241
Reserve	365 Days	234	363	364	365
Bond	365 Days	174	280	365	355
Special/Capital Project	270 Days	270	240	266	252

Note: All four funds are within the benchmark limit for Weighted Average Maturity for the fiscal year.

ANNUAL INVESTMENT REPORT
Economic Development Corporation

Market Sector	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
U.S. Federal Agency -Coupon	\$300,000	\$300,000	\$300,000	\$300,000
U.S. Federal Agency-Callable	100,000	0	0	0
U.S. Federal Agency -Discount	0	0	0	0
Managed Pools	853,079	383,434	385,665	588,578
Bank Cash	317,777	701,118	572,975	477,732



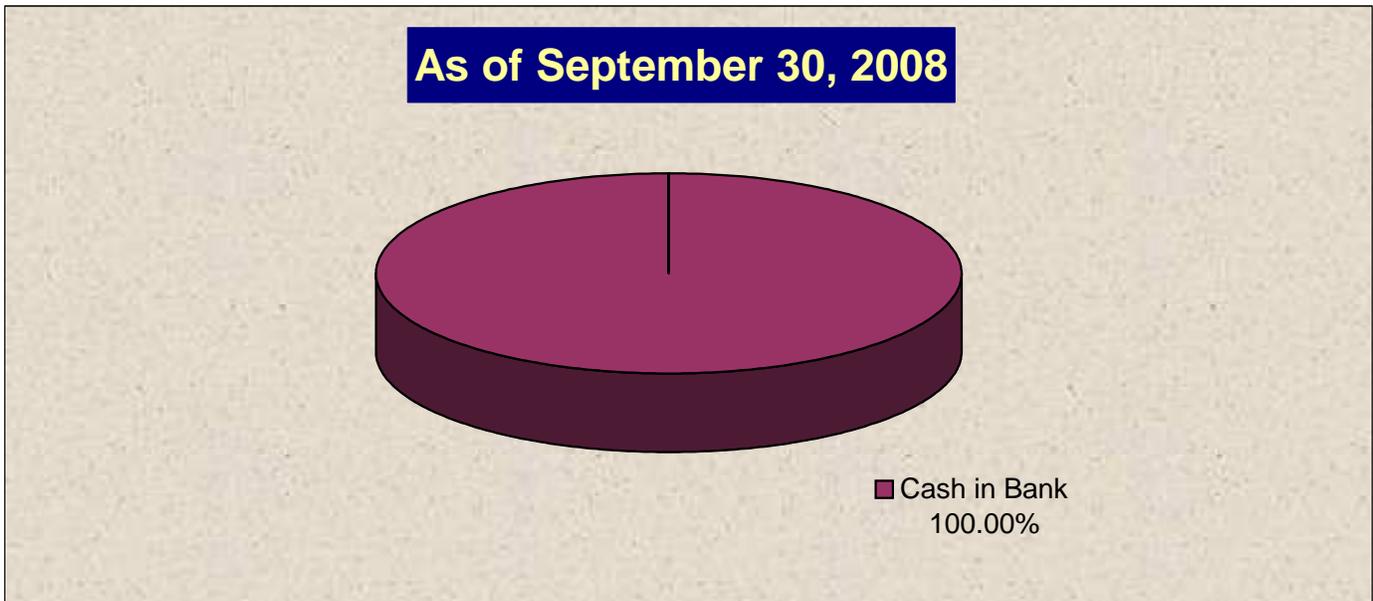
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income 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, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
	Benchmark				
Average Yield to Maturity		4.53%	2.65%	2.50%	2.31%
≥ Policy Benchmark-(Six Month T-Bill)		3.15%	1.48%	2.18%	1.68%
Callable Securities ≤	30.00%	6.37%	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%	25.46%	21.67%	23.84%	21.96%
Managed Pools	100.00%	54.31%	27.69%	30.64%	43.08%
Cash	100.00%	20.23%	50.64%	45.52%	34.96%
Weighted Avg. Maturity ≤	270 Days	47	30	11	89
Maturities ≤ 30 days ≥	5.00%	74.54%	78.33%	76.16%	78.04%

Note: The portfolio exceeds the policy benchmark for the Average Yield to Maturity for all four quarters of the fiscal year. The liquidity for the portfolio is 78% at the end of the fiscal year.

ANNUAL INVESTMENT REPORT
Crime Control & Prevention District

Market Sector	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
U.S. Federal Agency -Coupon Cash in Bank	\$100,000 86,755	\$0 93,828	\$0 76,030	\$0 98,525
Total Par Value:	\$186,755	\$93,828	\$76,030	\$98,525



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, 2007	Mar 31, 2008	Jun 30, 2008	Sept 30, 2008
Average Yield to Maturity		4.73%	1.79%	1.75%	1.75%
≥ Policy Benchmark-(Six Month T-Bill)		3.15%	1.48%	2.18%	1.68%
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%	53.55%	0.00%	0.00%	0.00%
Managed Pools	100.00%	0.00%	0.00%	0.00%	0.00%
Cash	100.00%	46.45%	100.00%	100.00%	100.00%
Weighted Avg. Maturity ≤	270 Days	188	1	1	1

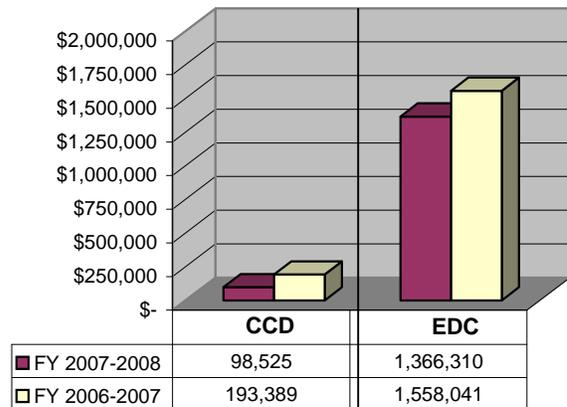
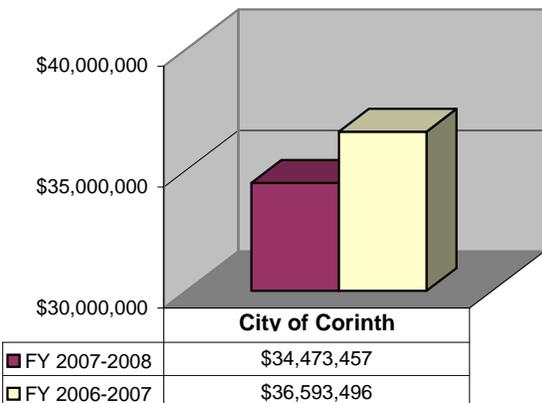
Note: There are no investments for this fund at the end of the fiscal year, due to the need for liquidity, the balance is in the bank. The Average Yield to Maturity exceeds the policy benchmark at the end of the fiscal year.



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

Fund Name	Actual FY 2007-2008	Actual FY 2006-2007	Variance
OPERATING FUNDS:			
01 General Fund	\$ 4,630,050	\$ 4,935,000	\$ (304,950)
02 Water/Sewer Operations	300,000	620,000	(320,000)
10 Street Maintenance Sales Tax	303,808	300,000	3,808
46 Storm Water Utility Fund	175,000	325,000	(150,000)
Wachovia/Cash	1,986,808	2,298,738	(311,930)
	<u>\$ 7,395,666</u>	<u>\$ 8,478,738</u>	<u>\$ (1,083,072)</u>
RESERVE FUNDS:			
04 Debt Service	\$ 990,000	\$ 1,100,000	\$ (110,000)
20 W/WW Interest & Sinking	500,000	-	500,000
	<u>\$ 1,490,000</u>	<u>\$ 1,100,000</u>	<u>\$ 390,000</u>
SPECIAL PURPOSE FUNDS:			
11 Roadway Impact Fees	300,000	-	300,000
13 Special Revenue	-	250,000	(250,000)
44 Water/Sewer Impact Fees	497,493	293,001	204,492
45 Wastewater Impact Fees	200,000	-	200,000
	<u>\$ 997,493</u>	<u>\$ 543,001</u>	<u>\$ 454,492</u>
BOND FUNDS:			
03 Water/Sewer Capital Fund	\$ 1,200,000	\$ 750,000	\$ 450,000
06 Capital Project Fund	400,000	1,553,978	(1,153,978)
31 Parks CIP 2008	400,000	-	400,000
50 Water - 2007 C.O.	7,323,840	7,274,807	49,033
60 Sewer - 2007 C.O.	6,024,313	6,960,122	(935,809)
70 Streets - 2007 C.O.	7,129,414	7,055,756	73,658
80 Drainage - 2007 C.O.	1,477,469	1,623,730	(146,261)
90 All Departmental - 2007 C.O.	635,262	1,253,365	(618,103)
	<u>\$ 24,590,298</u>	<u>\$ 26,471,758</u>	<u>\$ (1,881,460)</u>
	<u><u>\$ 34,473,457</u></u>	<u><u>\$ 36,593,496</u></u>	<u><u>\$ (2,120,039)</u></u>
OTHER FUNDS:			
12 Crime Control & Prevention District	\$ 98,525	\$ 193,389	\$ (94,864)
14 Economic Development Corporation	1,366,310	1,558,041	(191,731)
	<u>\$ 1,464,835</u>	<u>\$ 1,751,430</u>	<u>\$ (286,595)</u>

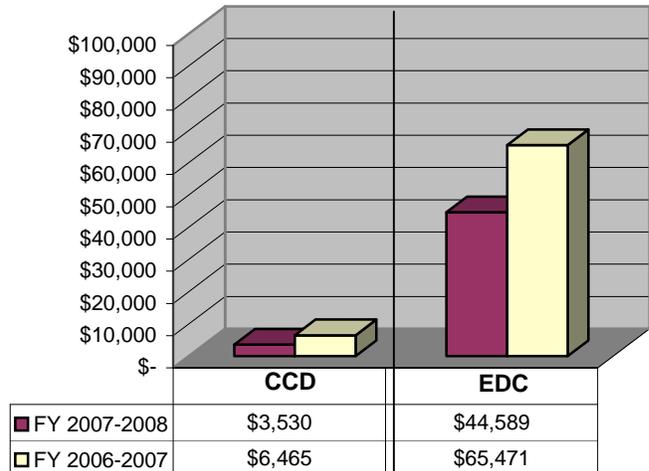
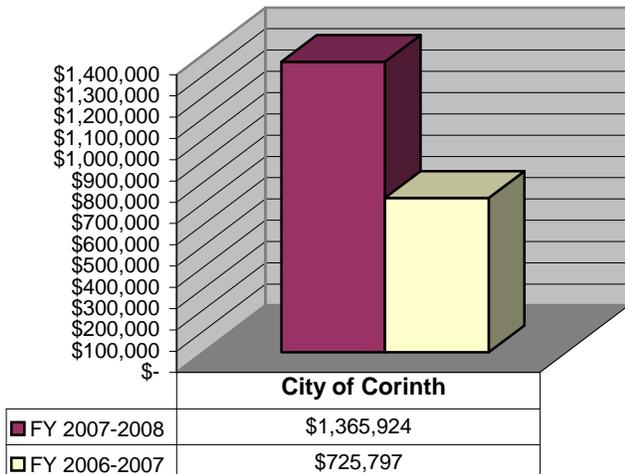
INVESTED BALANCE COMPARISON



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

Fund Name	Actual FY 2007-2008	Actual FY 2006-2007	Variance
OPERATING FUNDS:			
01 General Fund	\$ 334,224	\$ 347,534	\$ (13,310)
02 Water/Sewer Operations	12,504	44,338	(31,834)
10 Street Maintenance Sales Tax	17,741	20,053	(2,312)
46 Storm Water Utility Fund	12,682	13,948	(1,267)
	<u>\$ 377,151</u>	<u>\$ 425,874</u>	<u>\$ (48,723)</u>
RESERVE FUNDS:			
04 Debt Service	\$ 45,131	\$ 66,666	\$ (21,535)
20 W/WW Interest & Sinking	18,160	-	18,160
	<u>\$ 63,290</u>	<u>\$ 66,666</u>	<u>\$ (3,376)</u>
SPECIAL PURPOSE FUNDS:			
11 Roadway Impact Fees	6,899	11,219	(4,320)
13 Special Revenue	20,438	13,098	7,341
44 Water/Sewer Impact Fees	25,781	26,764	(983)
45 Wastewater Impact Fees	16	-	16
	<u>\$ 53,134</u>	<u>\$ 51,081</u>	<u>\$ 2,053</u>
BOND FUNDS:			
03 Water/Sewer Capital Fund	\$ 43,498	\$ 55,146	\$ (11,648)
06 Capital Project Fund	53,191	80,916	(27,725)
31 Parks 2008 CIP	7,305	-	7,305
50 Water - 2007 C.O.	246,658	18,463	228,195
60 Sewer - 2007 C.O.	227,751	11,393	216,358
70 Streets - 2007 C.O.	210,226	11,549	198,677
80 Drainage - 2007 C.O.	47,455	2,658	44,797
90 All Departmental - 2007 C.O.	36,265	2,052	34,213
	<u>\$ 872,349</u>	<u>\$ 182,177</u>	<u>\$ 690,173</u>
	<u>\$ 1,365,924</u>	<u>\$ 725,797</u>	<u>\$ 640,127</u>
OTHER FUNDS:			
12 Crime Control & Prevention District	\$ 3,530	\$ 6,465	\$ (2,935)
14 Economic Development Corporation	44,589	65,471	(20,882)
	<u>\$ 48,119</u>	<u>\$ 71,936</u>	<u>\$ (23,817)</u>

INTEREST EARNINGS COMPARISON



City of Corinth, Texas

ANNUAL INVESTMENT REPORT

For Fiscal Year Ended September 30, 2008



APPENDIX A

**Investment Report
For Month Ending September 30, 2008**



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

City of Corinth
Texas Compliance Change In Value Report
Sorted by Fund
October 1, 2007 - September 30, 2008

Inv #	Cusip	Issue	Par Value	YTM	Fund	Purch Date	Mat Date	Interest Received	Beginning Book Value	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	Ending Market Value
Fund: Pooled Cash															
10012		NTHSTR		00		10/01/2007		5.56	0.00		1,016.41	0.00	-1,016.41	0.00	0.00
	SYS10012	0.00	0.00	4.750		/ /		0.00	0.00		1,016.41	0.00	-1,016.41	0.00	0.00
10061		WACHVA		00		10/01/2007		77,195.89	0.00		2,297,721.55	0.00	-310,913.75	1,986,807.80	1,986,807.80
	SYS10024	1,986,807.80	1,986,807.80	1.750		/ /		0.00	0.00		2,297,721.55	0.00	-310,913.75	1,986,807.80	1,986,807.80
Sub Totals For: Fund: Pooled Cash															
								77,201.45	0.00		2,298,737.96	0.00	-311,930.16	1,986,807.80	1,986,807.80
								0.00	0.00		2,298,737.96	0.00	-311,930.16	1,986,807.80	1,986,807.80
Fund: 01-General Fund															
10036		FNMA		01		03/12/2007		2,350.00	597,573.14		0.00	600,000.00	2,426.86	0.00	0.00
	31331VBS4	0.00	0.00	0.000		10/06/2008		16,058.33	600,000.00		0.00	600,000.00	0.00	0.00	0.00
10108		FHLB		01		01/15/2008		40,000.00	0.00		1,260,525.00	0.00	-9,520.85	1,251,004.15	1,251,004.15
	3133XBK8	1,250,000.00	1,250,000.00	3.399		10/28/2008		16,093.75	0.00		1,260,525.00	0.00	-9,275.00	1,251,250.00	1,251,250.00
10070		FHLB		01		09/26/2007		7,875.00	497,625.89		0.00	500,000.00	2,374.11	0.00	0.00
	31339XC28	0.00	0.00	0.000		12/19/2008		8,109.37	492,500.00		0.00	500,000.00	7,500.00	0.00	0.00
10063		FHLB		01		08/31/2007		13,544.44	995,656.87		0.00	1,000,000.00	4,343.13	0.00	0.00
	3133XA5W3	0.00	0.00	0.000		01/26/2009		17,077.78	994,000.00		0.00	1,000,000.00	6,000.00	0.00	0.00
10050		FHLMC		01		03/29/2007		17,125.00	995,539.63		0.00	1,000,000.00	4,460.37	0.00	0.00
	3128X2TL9	0.00	0.00	0.000		02/18/2009		22,500.00	998,000.00		0.00	1,000,000.00	2,000.00	0.00	0.00
10143		FHLB		01		03/01/2008		42,000.00	0.00		1,500,000.00	0.00	0.00	1,500,000.00	1,500,000.00
	3133XMIN72	1,500,000.00	1,500,000.00	4.796		10/23/2009		10,400.00	0.00		1,500,000.00	0.00	1,500.00	1,501,500.00	1,501,500.00
10170		FNMA		01		07/16/2008		481.77	0.00		51,239.00	0.00	151.39	51,390.39	51,390.39
	31359MC50	50,000.00	50,000.00	3.250		06/01/2010		0.00	0.00		51,239.00	0.00	-46.00	51,193.00	51,193.00

City of Corinth
Texas Compliance Change in Value Report
October 1, 2007 - September 30, 2008

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	Market Value				Market Value
10175	FHLB	01	08/18/2008	752.50	0.00	180,000.00	0.00	0.00	180,000.00
3133RX39	180,000.00	3.500	08/18/2010	0.00	0.00	180,000.00	0.00	378.00	180,378.00
10134	FHLMC	01	02/01/2008	8,320.00	0.00	311,455.71	0.00	-2,828.57	308,627.14
3128X3Y4	300,000.00	2.683	10/13/2010	2,496.00	0.00	311,455.71	0.00	-5,905.71	305,550.00
10128	FNMA	01	02/07/2008	4,923.75	0.00	160,101.56	0.00	-2,188.67	157,912.89
31359MF81	150,000.00	2.698	02/07/2011	3,787.50	0.00	160,101.56	0.00	-4,011.56	156,090.00
10153	FNMA	01	04/01/2008	1,893.75	0.00	79,798.24	0.00	-841.80	78,956.44
31359MF81	75,000.00	2.701	02/07/2011	1,325.62	0.00	79,798.24	0.00	-1,753.24	78,045.00
10154	FNMA	01	04/01/2008	1,893.75	0.00	79,798.24	0.00	-841.80	78,956.44
31359MF81	75,000.00	2.701	02/07/2011	1,325.62	0.00	79,798.24	0.00	-1,753.24	78,045.00
10190	FNMA	01	09/30/2008	17.36	0.00	198,226.38	0.00	3,109.61	201,335.99
31398APR7	200,000.00	3.498	04/01/2011	0.00	0.00	198,226.38	0.00	493.62	198,720.00
10016	TXSTAR	01	10/01/2007	0.00	0.00	0.00	0.00	0.00	0.00
SYS10016	0.00	5.290	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10022	FEDER	01	10/01/2007	0.00	0.00	0.00	0.00	0.00	0.00
SYS10022	0.00	5.120	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10140	TXSTAR	01	03/28/2008	24,415.40	0.00	3,000,000.00	0.00	-2,149,951.12	850,048.88
SYS10140	850,048.88	2.299	/ /	25,048.88	0.00	3,000,000.00	0.00	-2,149,951.12	850,048.88
Sub Totals For: Fund: 01-General Fund									
				165,592.72	3,086,395.53	6,821,144.13	3,100,000.00	-2,149,307.34	4,658,232.32
				124,222.85	3,084,500.00	6,821,144.13	3,100,000.00	-2,154,824.25	4,650,819.88
Fund: 02-Water/Sewer Operations									
10058	FNMA	02	05/30/2007	720.83	48,747.46	0.00	50,000.00	1,252.54	0.00
3136F3TR7	0.00	0.000	11/21/2008	745.83	50,010.00	0.00	50,000.00	-10.00	0.00
10111	FHLB	02	01/24/2008	9,694.75	0.00	314,379.00	0.00	-3,852.07	310,526.93
3133XCNB5	300,000.00	2.758	08/16/2010	7,928.50	0.00	314,379.00	0.00	-5,619.00	308,760.00

City of Corinth
Texas Compliance Change in Value Report
October 1, 2007 - September 30, 2008

Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Ending Book Value	Change in Value	Redemptions	Purchases/ Additions	Beginning Market Value	Ending Market Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Market Value	Market Value					
10023	FEDER	02	10/01/2007	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10023	0.00	5.190	/ /	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub Totals For: Fund: 02-Water/Sewer Operations											
				10,415.58	48,747.46	314,379.00	-2,599.53	50,000.00	314,379.00	50,000.00	310,526.93
				8,674.33	50,010.00	314,379.00	-5,629.00	50,000.00	314,379.00	50,000.00	308,760.00
Fund: 03-Water/Sewer Capital											
10219	FHLB	03	09/30/2008	16.67	0.00	0.00	2,300.82	0.00	149,965.59	0.00	152,266.41
3133X26Z3	150,000.00	4.134	11/12/2008	0.00	0.00	149,965.59	184.41	0.00	149,965.59	0.00	150,150.00
10026	FNMA	03	02/14/2007	5,359.37	749,698.56	0.00	301.44	750,000.00	0.00	750,000.00	0.00
31359M2G7	0.00	0.000	11/20/2008	19,687.50	750,000.00	0.00	0.00	750,000.00	0.00	750,000.00	0.00
10182	FHLB	03	09/26/2008	225.69	0.00	500,000.00	0.00	0.00	500,000.00	0.00	500,000.00
3133XSDJ4	500,000.00	3.250	01/14/2009	0.00	0.00	500,000.00	200.00	0.00	500,000.00	0.00	500,200.00
10127	FHLB	03	01/31/2008	10,878.47	0.00	500,000.00	0.00	0.00	500,000.00	0.00	500,000.00
3133XP27	500,000.00	3.253	01/28/2011	8,034.72	0.00	500,000.00	-1,200.00	0.00	500,000.00	0.00	498,800.00
10220	FNMA	03	09/30/2008	7.01	0.00	52,640.75	368.62	0.00	52,640.75	0.00	53,009.37
31359MF81	50,000.00	2.716	02/07/2011	0.00	0.00	52,640.75	-610.75	0.00	52,640.75	0.00	52,030.00
10018	TXPOOL	03	10/01/2007	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10018	0.00	5.272	/ /	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub Totals For: Fund: 03-Water/Sewer Capital											
				16,487.21	749,698.56	1,202,606.34	2,970.88	750,000.00	1,202,606.34	750,000.00	1,205,275.78
				27,722.22	750,000.00	1,202,606.34	-1,426.34	750,000.00	1,202,606.34	750,000.00	1,201,180.00
Fund: 04-Debt Service											
10057	FNMA	04	05/30/2007	1,441.67	97,494.92	0.00	2,505.08	100,000.00	0.00	100,000.00	0.00
3136F3TR7	0.00	0.000	11/21/2008	1,491.67	100,020.00	0.00	-20.00	100,000.00	0.00	100,000.00	0.00
10071	FHLB	04	09/26/2007	7,875.00	497,625.89	0.00	2,374.11	500,000.00	0.00	500,000.00	0.00
31339XC28	0.00	0.000	12/19/2008	8,109.37	492,500.00	0.00	7,500.00	500,000.00	0.00	500,000.00	0.00
10062	FHLB	04	06/20/2007	2,237.50	99,306.91	0.00	693.09	100,000.00	0.00	100,000.00	0.00
31339XU51	0.00	0.000	12/30/2008	3,375.00	99,725.00	0.00	275.00	100,000.00	0.00	100,000.00	0.00

City of Corinth
Texas Compliance Change in Value Report
October 1, 2007 - September 30, 2008

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
Fund: 10-Street Maint Sales Tax									
10155	TXSTAR	10	05/27/2008	4,405.54	0.00	500,000.00	0.00	-196,191.88	303,808.12
SYS10155	303,808.12	2.299	/ /	3,808.12	0.00	500,000.00	0.00	-196,191.88	303,808.12
Sub Totals For: Fund: 10-Street Maint Sales Tax									
				4,405.54	0.00	500,000.00	0.00	-196,191.88	303,808.12
				3,808.12	0.00	500,000.00	0.00	-196,191.88	303,808.12
Fund: 11-Roadway Impact Fees									
10180	FHLMC	11	09/15/2008	146.67	0.00	100,000.00	0.00	1,127.50	101,127.50
3128X7PT5	100,000.00	3.298	05/12/2010	0.00	0.00	100,000.00	0.00	-80.00	99,920.00
10166	FHLB	11	06/06/2008	958.34	0.00	99,733.29	0.00	350.64	100,083.93
3133XR2Y5	100,000.00	4.928	06/11/2010	0.00	0.00	99,733.29	0.00	387.71	100,121.00
10176	FHLB	11	08/18/2008	418.06	0.00	100,000.00	0.00	0.00	100,000.00
3133RX39	100,000.00	3.500	08/18/2010	0.00	0.00	100,000.00	0.00	210.00	100,210.00
Sub Totals For: Fund: 11-Roadway Impact Fees									
				1,523.07	0.00	299,733.29	0.00	1,478.14	301,211.43
				0.00	0.00	299,733.29	0.00	517.71	300,251.00
Fund: 12-Crime Control & Prevention									
10077	WACHVA	12	10/01/2007	3,048.93	0.00	193,389.00	0.00	-94,863.78	98,525.22
SYS10072	98,525.22	1.750	/ /	0.00	0.00	193,389.00	0.00	-94,863.78	98,525.22
Sub Totals For: Fund: 12-Crime Control & Prevention									
				3,048.93	0.00	193,389.00	0.00	-94,863.78	98,525.22
				0.00	0.00	193,389.00	0.00	-94,863.78	98,525.22
Fund: 13-Special Revenue									
10027	FHLB	13	02/14/2007	3,500.00	246,930.37	0.00	250,000.00	3,069.63	0.00
3133X9ST8	0.00	0.000	12/29/2008	6,183.33	248,437.50	0.00	250,000.00	1,562.50	0.00
Sub Totals For: Fund: 13-Special Revenue									
				3,500.00	246,930.37	0.00	250,000.00	3,069.63	0.00
				6,183.33	248,437.50	0.00	250,000.00	1,562.50	0.00

City of Corinth
Texas Compliance Change in Value Report
October 1, 2007 - September 30, 2008

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
Fund: 14-Eco Dev Corp 4(B)									
10173	FHLB	14	08/13/2008	1,400.00	0.00	301,776.00	0.00	2,722.92	304,498.92
3133X9BF6	300,000.00	3.000	11/03/2009	0.00	0.00	301,776.00	0.00	-636.00	301,140.00
10007	TXPOOL	14	10/01/2007	17,054.91	0.00	842,982.51	0.00	-254,404.78	588,577.73
SYS10007	588,577.73	2.407	/ /	19,595.22	0.00	842,982.51	0.00	-254,404.78	588,577.73
10009	TXPOOL	14	10/01/2007	0.00	0.00	0.00	0.00	0.00	0.00
SYS100099	0.00	4.750	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10021	NTHSTR	14	10/01/2007	0.00	0.00	0.00	0.00	0.00	0.00
SYS10021	0.00	4.750	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10072	WACHVA	14	10/01/2007	11,088.31	0.00	265,058.74	0.00	212,673.64	477,732.38
SYS10072	477,732.38	1.750	/ /	0.00	0.00	265,058.74	0.00	212,673.64	477,732.38
Sub Totals For: Fund: 14-Eco Dev Corp 4(B)									
				29,543.22	0.00	1,409,817.25	0.00	-39,008.22	1,370,809.03
				19,595.22	0.00	1,409,817.25	0.00	-42,367.14	1,367,450.11
Fund: 20-W/WW Int & Sinking Fund									
10186	FHLMC	20	09/30/2008	42.70	0.00	300,258.88	0.00	7,029.62	307,288.50
3134A2UJ5	300,000.00	3.002	10/15/2008	0.00	0.00	300,258.88	0.00	77.12	300,336.00
10177	FHLB	20	08/18/2008	418.06	0.00	100,000.00	0.00	0.00	100,000.00
3133RX39	100,000.00	3.500	08/18/2010	0.00	0.00	100,000.00	0.00	210.00	100,210.00
10163	FNMA	20	06/05/2008	1,006.94	0.00	99,000.00	0.00	669.73	99,669.73
31398APR7	100,000.00	3.499	04/01/2011	0.00	0.00	99,000.00	0.00	360.00	99,360.00
Sub Totals For: Fund: 20-W/WW Int & Sinking Fund									
				1,467.70	0.00	499,258.88	0.00	7,699.35	506,958.23
				0.00	0.00	499,258.88	0.00	647.12	499,906.00
Fund: 31-Parks CIP 2008									
10114	FHLB	31	01/24/2008	12,393.91	0.00	419,016.00	0.00	-5,127.68	413,888.32
3133X85H1	400,000.00	2.573	08/10/2010	9,834.84	0.00	419,016.00	0.00	-8,856.00	410,160.00
Sub Totals For: Fund: 31-Parks CIP 2008									
				12,393.91	0.00	419,016.00	0.00	-5,127.68	413,888.32
				9,834.84	0.00	419,016.00	0.00	-8,856.00	410,160.00

City of Corinth
Texas Compliance Change In Value Report
October 1, 2007 - September 30, 2008

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
Fund: 44-Water/Sewer Imp Fees									
10218	FHLB	44	09/30/2008	38.89	0.00	349,919.70	0.00	5,368.58	355,288.28
3133X26Z3	350,000.00	4.134	11/12/2008	0.00	0.00	349,919.70	0.00	430.30	350,350.00
10014	TXSTAR	44	10/01/2007	0.00	0.00	0.00	0.00	0.00	0.00
SYS10014	0.00	5.292	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10052	TXSTAR	44	10/01/2007	4,230.82	0.00	143,000.95	0.00	4,492.45	147,493.40
SYS10013	147,493.40	2.299	/ /	4,492.45	0.00	143,000.95	0.00	4,492.45	147,493.40
Sub Totals For: Fund: 44-Water/Sewer Imp Fees									
				4,269.71	0.00	492,920.65	0.00	9,861.03	502,781.68
				4,492.45	0.00	492,920.65	0.00	4,922.75	497,843.40
Fund: 45-Wastewater Impact Fees									
10198	FHLB	45	09/30/2008	27.17	0.00	202,762.45	0.00	3,385.23	206,147.68
3133MYRN9	200,000.00	2.867	05/28/2009	0.00	0.00	202,762.45	0.00	-402.45	202,360.00
Sub Totals For: Fund: 45-Wastewater Impact Fees									
				27.17	0.00	202,762.45	0.00	3,385.23	206,147.68
				0.00	0.00	202,762.45	0.00	-402.45	202,360.00
Fund: 46 - Storm Water Utilities									
10025	FNMA	46	02/14/2007	1,786.46	249,899.52	0.00	250,000.00	100.48	0.00
31359M2G7	0.00	0.000	11/20/2008	6,562.50	250,000.00	0.00	250,000.00	0.00	0.00
10060	FNMA	46	05/30/2007	360.42	24,373.73	0.00	25,000.00	626.27	0.00
3136F3TR7	0.00	0.000	11/21/2008	372.92	25,005.00	0.00	25,000.00	-5.00	0.00
10112	FHLB	46	01/24/2008	5,655.27	0.00	183,387.75	0.00	-2,247.04	181,140.71
3133XCNB5	175,000.00	2.758	08/16/2010	4,624.96	0.00	183,387.75	0.00	-3,277.75	180,110.00
Sub Totals For: Fund: 46 - Storm Water Utilities									
				7,802.15	274,273.25	183,387.75	275,000.00	-1,520.29	181,140.71
				11,560.38	275,005.00	183,387.75	275,000.00	-3,282.75	180,110.00
Fund: 50- Water 2007 C.O.									
10185	FHLB	50	09/30/2008	27.89	0.00	203,451.61	0.00	2,525.06	205,976.67
3133XE3U1	200,000.00	2.666	06/29/2009	0.00	0.00	203,451.61	0.00	-751.61	202,700.00

City of Corinth
Texas Compliance Change in Value Report
October 1, 2007 - September 30, 2008

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	Interest Received	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Market Value
10160	FAMC	50	06/05/2008	13,272.33	0.00	629,082.00	0.00	-7,937.68	621,144.32
31315MAY2	600,000.00	2.663	08/10/2009	7,437.08	0.00	629,082.00	0.00	-7,320.00	621,762.00
10164	FHLB	50	06/06/2008	2,875.00	0.00	299,199.88	0.00	1,051.92	300,251.80
3133XR2Y5	300,000.00	4.928	06/11/2010	0.00	0.00	299,199.88	0.00	1,163.12	300,363.00
10193	FHLB	50	09/30/2008	16.66	0.00	199,550.46	0.00	2,517.41	202,067.87
3133XR2Y5	200,000.00	5.535	06/11/2010	0.00	0.00	199,550.46	0.00	691.54	200,242.00
10179	FHLB	50	08/18/2008	1,546.81	0.00	370,000.00	0.00	0.00	370,000.00
3133XR39	370,000.00	3.500	08/18/2010	0.00	0.00	370,000.00	0.00	777.00	370,777.00
10189	FHLMC	50	09/30/2008	57.78	0.00	514,398.22	0.00	9,629.25	524,027.47
3128X3YF4	500,000.00	2.697	10/13/2010	0.00	0.00	514,398.22	0.00	-5,148.22	509,250.00
10119	FHLB	50	01/30/2008	10,878.47	0.00	500,000.00	0.00	0.00	500,000.00
3133XP27	500,000.00	3.250	01/28/2011	8,034.72	0.00	500,000.00	0.00	-1,200.00	498,800.00
10188	FHLB	50	09/30/2008	36.11	0.00	400,000.00	0.00	2,238.89	402,238.89
3133XP27	400,000.00	3.249	01/28/2011	0.00	0.00	400,000.00	0.00	-960.00	399,040.00
10147	FNMA	50	04/14/2008	17,395.83	0.00	1,250,000.00	0.00	0.00	1,250,000.00
3136F9GM9	1,250,000.00	3.000	04/14/2011	0.00	0.00	1,250,000.00	0.00	-2,250.00	1,247,750.00
10066	TXPOOL	50	10/01/2007	80,728.26	0.00	7,274,806.70	0.00	-7,274,806.70	0.00
SYS10009	0.00	2.972	/ /	116,909.23	0.00	7,274,806.70	0.00	-7,274,806.70	0.00
10135	TXSTAR	50	03/14/2008	41,386.33	0.00	3,282,000.00	0.00	-278,160.44	3,003,839.56
SYS10135	3,003,839.56	2.299	/ /	41,839.56	0.00	3,282,000.00	0.00	-278,160.44	3,003,839.56
Sub Totals For: Fund: 50- Water 2007 C.O.									
				168,221.47	0.00	14,922,488.87	0.00	-7,542,942.29	7,379,546.58
				174,220.59	0.00	14,922,488.87	0.00	-7,567,965.31	7,354,523.56
Fund: 60- Wastewater 2007									
10183	FHLB	60	09/25/2008	455.00	0.00	432,537.00	0.00	2,797.52	435,334.52
3133M9FC1	420,000.00	3.055	08/14/2009	0.00	0.00	432,537.00	0.00	-1,268.40	431,268.60

**City of Corinth
Texas Compliance Change in Value Report
October 1, 2007 - September 30, 2008**

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	Market Value				Market Value
10079	FHLB	60	10/16/2007	58,937.50	0.00	1,234,612.50	0.00	-2,210.16	1,232,402.34
3133XHFA5	1,230,000.00	4.801	10/16/2009	30,750.00	0.00	1,234,612.50	0.00	-3,628.50	1,230,984.00
10144	FHLB	60	03/01/2008	9,479.16	0.00	500,000.00	0.00	0.00	500,000.00
3133XPD27	500,000.00	3.249	01/28/2011	6,635.41	0.00	500,000.00	0.00	-1,200.00	498,800.00
10131	FNMA	60	02/07/2008	3,282.50	0.00	106,734.38	0.00	-1,459.12	105,275.26
31359MF81	100,000.00	2.698	02/07/2011	2,525.00	0.00	106,734.38	0.00	-2,674.38	104,060.00
10148	FNMA	60	04/14/2008	17,395.83	0.00	1,250,000.00	0.00	0.00	1,250,000.00
3136F9GM9	1,250,000.00	3.000	04/14/2011	0.00	0.00	1,250,000.00	0.00	-2,250.00	1,247,750.00
10067	TXPOOL	60	10/01/2007	24,590.34	0.00	6,960,121.61	0.00	-6,960,121.61	0.00
SYS10009	0.00	2.972	/ /	34,254.00	0.00	6,960,121.61	0.00	-6,960,121.61	0.00
10136	TXSTAR	60	03/14/2008	26,336.76	0.00	1,000,000.00	0.00	1,524,313.28	2,524,313.28
SYS10136	2,524,313.28	2.299	/ /	24,313.28	0.00	1,000,000.00	0.00	1,524,313.28	2,524,313.28
Sub Totals For: Fund: 60- Wastewater 2007									
				140,477.09	0.00	11,484,005.49	0.00	-5,436,680.09	6,047,325.40
				98,477.69	0.00	11,484,005.49	0.00	-5,446,829.61	6,037,175.88
Fund: 70 - Streets 2007 CIP									
10161	FAMC	70	06/05/2008	8,848.23	0.00	419,388.00	0.00	-5,291.78	414,096.22
31315MAY2	400,000.00	2.663	08/10/2009	4,958.06	0.00	419,388.00	0.00	-4,880.00	414,508.00
10192	FNMA	70	09/30/2008	58.33	0.00	700,000.00	0.00	10,091.67	710,091.67
3136F9EJ8	700,000.00	3.000	04/07/2010	0.00	0.00	700,000.00	0.00	-2,380.00	697,620.00
10195	FHLB	70	09/30/2008	12.50	0.00	149,662.84	0.00	1,888.05	151,550.89
3133XR2Y5	150,000.00	5.535	06/11/2010	0.00	0.00	149,662.84	0.00	518.66	150,181.50
10167	FHLB	70	06/25/2008	8,400.00	0.00	1,000,000.00	0.00	0.00	1,000,000.00
3133XRGW4	1,000,000.00	3.150	06/25/2010	0.00	0.00	1,000,000.00	0.00	-1,800.00	998,200.00
10184	FHLB	70	09/30/2008	52.33	0.00	414,056.69	0.00	2,281.88	416,338.57
3133XCNB5	400,000.00	2.775	08/16/2010	0.00	0.00	414,056.69	0.00	-2,376.69	411,680.00

City of Corinth
Texas Compliance Change in Value Report
October 1, 2007 - September 30, 2008

Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Ending Book Value	Change in Value	Redemptions	Purchases/ Additions	Ending Book Value	Ending Market Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Market Value	Market Value				Market Value	Market Value
10120	FHLB	70	01/30/2008	2,175.69	0.00	100,000.00	0.00	0.00	100,000.00	100,000.00	100,000.00
3133XPD27	100,000.00	3.250	01/28/2011	1,606.94	0.00	100,000.00	0.00	0.00	100,000.00	99,760.00	99,760.00
10064	TXPOOL	70	10/01/2007	129,819.13	0.00	7,055,756.41	0.00	0.00	7,055,756.41	2,239,938.78	2,239,938.78
SYS10009	2,239,938.78	2.407	/ /	155,590.65	0.00	7,055,756.41	0.00	0.00	7,055,756.41	2,239,938.78	2,239,938.78
10138	TXSTAR	70	03/14/2008	39,303.01	0.00	4,323,500.00	0.00	0.00	4,323,500.00	2,139,475.37	2,139,475.37
SYS10138	2,139,475.37	2.299	/ /	40,975.37	0.00	4,323,500.00	0.00	0.00	4,323,500.00	2,139,475.37	2,139,475.37
Sub Totals For: Fund: 70 - Streets 2007 CIP											
				188,669.22	0.00	14,162,363.94	0.00	0.00	14,162,363.94	7,171,491.50	7,171,491.50
				203,131.02	0.00	14,162,363.94	0.00	0.00	14,162,363.94	7,151,363.65	7,151,363.65
Fund: 80 - Drainage 2007											
10196	FHLB	80	09/30/2008	8.34	0.00	99,775.23	0.00	0.00	99,775.23	101,033.93	101,033.93
3133XR2Y5	100,000.00	5.535	06/11/2010	0.00	0.00	99,775.23	0.00	0.00	99,775.23	100,121.00	100,121.00
10133	FNMA	80	02/07/2008	18,053.75	0.00	587,039.06	0.00	0.00	587,039.06	579,013.93	579,013.93
31359MF81	550,000.00	2.698	02/07/2011	13,887.50	0.00	587,039.06	0.00	0.00	587,039.06	572,330.00	572,330.00
10068	TXPOOL	80	10/01/2007	17,668.44	0.00	1,623,729.78	0.00	0.00	1,623,729.78	0.00	0.00
SYS10009	0.00	2.972	/ /	25,343.77	0.00	1,623,729.78	0.00	0.00	1,623,729.78	0.00	0.00
10137	TXSTAR	80	03/14/2008	9,599.01	0.00	718,000.00	0.00	0.00	718,000.00	827,469.29	827,469.29
SYS10137	827,469.29	2.299	/ /	9,469.29	0.00	718,000.00	0.00	0.00	718,000.00	827,469.29	827,469.29
Sub Totals For: Fund: 80 - Drainage 2007											
				45,329.54	0.00	3,028,544.07	0.00	0.00	3,028,544.07	1,507,517.15	1,507,517.15
				48,700.56	0.00	3,028,544.07	0.00	0.00	3,028,544.07	1,499,920.29	1,499,920.29
Fund: 90-All Departmental											
10194	FHLB	90	09/30/2008	12.50	0.00	149,662.84	0.00	0.00	149,662.84	151,550.89	151,550.89
3133XR2Y5	150,000.00	5.535	06/11/2010	0.00	0.00	149,662.84	0.00	0.00	149,662.84	150,181.50	150,181.50
10187	FHLB	90	09/30/2008	12.55	0.00	103,477.27	0.00	0.00	103,477.27	104,099.30	104,099.30
3133X85H1	100,000.00	2.589	08/10/2010	0.00	0.00	103,477.27	0.00	0.00	103,477.27	102,540.00	102,540.00
10065	TXPOOL	90	10/01/2007	20,541.88	0.00	1,253,364.96	0.00	0.00	1,253,364.96	0.00	0.00
SYS100099	0.00	2.246	/ /	25,226.76	0.00	1,253,364.96	0.00	0.00	1,253,364.96	0.00	0.00

City of Corinth
 Texas Compliance Change In Value Report
 October 1, 2007 - September 30, 2008

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
10139	TXSTAR	90	03/14/2008	8,568.84	0.00	676,500.00	0.00	-291,237.93	385,262.07
SYS10139	385,262.07	2.299	/ /	8,762.07	0.00	676,500.00	0.00	-291,237.93	385,262.07
Sub Totals For: Fund: 90-All Departmental									
Report Grand Totals:				938,030.55	5,173,594.08	63,006,749.26	5,200,000.00	-26,777,596.10	36,202,747.24
				793,593.23	5,175,212.50	63,006,749.26	5,200,000.00	-26,891,062.28	36,090,899.48

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

For Fiscal Year Ended September 30, 2008



APPENDIX B

First Southwest Portfolio Assessment



City of Corinth, Texas
Review of Investment Report
Quarter Ending September 30, 2008

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.

11/25/08

Date

City of Corinth, Texas
Portfolio Assessment
Quarter Ending September 30, 2008

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

▪ **Consolidated Portfolio**

- Yield-to-Maturity is 2.93%
- WAM is 332 days
- Net Asset Value is 1.000
- Percentage Liquid – 40%

The consolidated portfolio yield is well above the overnight fed funds target rate of 2.00%. This target rate has subsequently been lowered by the Fed to 1% and expected to fall to 0.50% in December. As the target rate falls, pool and money market fund rates will decline sharply. The City extended its WAM from 81 days in 2007 to 332 as of year-end 2008. This strategy decision will protect a great deal of the City's future investment earnings by locking-in higher yields while pool rates fall. It should be noted that many of the callable securities, which comprise 27% of the portfolio, are "in the money" and will likely be called away, effectively shortening the WAM.

▪ **Eco Development**

- Yield-to-Maturity is 2.32%
- WAM is 91 days
- Net Asset Value is 1.000
- Percentage Liquid – 77%

The Economic Development portfolio yield is above the overnight fed target, but the high liquidity percentage suggests that the yield will fall significantly in the fourth quarter.

▪ **Crime Prevention**

- Yield-to-Maturity is 1.75%
- WAM is 1 day
- Net Asset Value is 1.000
- Percentage Liquid – 100%

This Crime Prevention portfolio is 100% liquid. The small size of the portfolio suggests that investment pools are an acceptable investment choice.

Signature redacted

Scott D. McIntyre, CFA
Senior Vice President

11/25/08

Date

CITY OF CORINTH
ANNUAL INVESTMENT REVIEW
For Year Ending: September 30, 2008

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 three (3) 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 three hundred and sixty-five (365) days.
- ✓ Portfolio Limitations: U.S. Treasuries-100%; U.S. Agencies-100%; Investment Pools (per pool)-50%; Repurchase Agreements-25%; CD's-50%, Money Market Funds (per fund)-50%; Local Government Obligations-10%; Treasury and Agency Callables 30%.
- ✓ 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 40%.

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, 2008



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.

