



City of Corinth

Annual Investment Report

For the Period Ended September 30, 2010

About This Report

In accordance with Chapter 2256 of the Public Funds Investment Act Section 2256.023(a), the Quarterly Investment Report provides timely and relevant information regarding the City's Investment activities.

This report includes investment information for October 2009 through September 2010 and is presented in two sections.

1. The Investment Committee Report section provides approved minutes from the most recent Investment Committee Meeting.
2. The Annual Investment Report provides a summary of the City's investment portfolio, interest earnings and a brief market outlook. This report is in compliance with the Public Funds Investment Act and the City's approved Investment Policy.

If you would like additional information, feel free to contact the Finance Department at (940) 498-3280.

Section 1

City of Corinth
Annual Investment Report
September 2010

INVESTMENT COMMITTEE

As required by the City Corinth Investment policy, the Investment Committee meets on a quarterly basis to determine general strategies and review the City's investment program. At it's most recent meeting on November 17, 2010, the committee took action on the following items:

- √ Approved the minutes for the August 11, 2010 Investment Committee Meeting.
- √ Unanimously approved the FY 2009-10 Annual Investment Report.

MINUTES
City of Corinth
Investment Committee Meeting

6 After determining that a quorum was present, the Investment Committee convened on
7 Wednesday, August 11, at 7:30 a.m. in the Administration Conference Room at City Hall.

9 PRESENT: Mayor Paul Ruggiere, Council Member Joe Harrison, Interim City Manager Jim
10 Berzina, Director of Finance Lee Ann Bunselmeyer, and Financial Services Manager Chris
11 Rodriguez.

13 ABSENT: None

15 I. APPROVE MINUTES FOR THE APRIL 28, 2010 COMMITTEE MEETING

17 **Action: Council Member Harrison made a motion to approve the April 28, 2010 minutes
18 as written. Mayor Ruggiere seconded the motion. The motion passed unanimously.**

20 II. DISCUSS AND APPROVE THE FY 2009-10 THIRD QUARTER INVESTMENT
21 REPORT

23 Chris presented the third quarter investment report for FY 2009-10. She noted that the decrease
24 in the portfolio market value was due to the capital improvement expenditures for the quarter.
25 She told the committee that the three capital projects that represent the reduction in market value
26 are the Lynchburg Sanitary Sewer project, Lake Sharon, and S. Corinth. Mayor Ruggiere asked
27 what funds make up the Reserve Funds category on the Investment Report. Lee Ann explained
28 that the General Fund Debt Service Fund is what makes up the Reserve Fund category. She
29 stated that for clarity the heading on the report would be changed to Debt Service Reserve Fund.
30 Councilmember Harrison asked about the investment balance in the Debt Service Fund and
31 whether there would be sufficient funds to pay the debt payments in the coming year. Lee Ann
32 explained that the invested balance does not include the cash that is in the bank for the Debt
33 Service Fund. She further stated that the majority of the funds are collected October through
34 February, with the largest debt service payment being in February. Chris noted that the change
35 in market value for the Special Revenue Fund is due to expenditures for the Dobbs Rd. capital
36 project. Chris pointed out that the weighted average maturity (WAM) for all four funds are
37 below the WAM benchmark. She also noted that the decrease in the market value for the bond
38 funds was due to the capital expenditures for the quarter, the Lynchburg Sanitary Sewer project,
39 Lake Sharon, and S. Corinth. The average yield to maturity for the portfolio exceeded the policy
40 benchmark. Chris noted that the average yield to maturity for the portfolio was 1.16% which
41 exceeds the six-month treasury bill rate, and that the portfolio was below the benchmark for
42 callable securities.

44 The Economic Development portfolio exceeds the six-month treasury bill rate and the liquidity
45 for the portfolio is at fifty-three percent. The portfolio is within the benchmark for the Weighted
46 Average Maturity (WAM).

48 The Crime Control & Prevention District portfolio has no investments at this time.

50 **Action: Council Member Harrison made a motion to approve the FY 2009-10 Third**
51 **Quarter Investment report. Mayor Ruggiere seconded the motion and it passed**
52 **unanimously.**

53

54 III. REVIEW THE ECONOMIC OUTLOOK

55

56 Chris noted that the current economic outlook had not changed much since the last investment
57 committee meeting. The Fed Fund rate is still at .25% and is proposed to remain at this level for
58 the rest of this year and probably all of 2011. The City's portfolio continues to exceed the six-
59 month treasury bill rate.

60

61 IV. REVIEW THE THIRD QUARTER INTEREST INCOME ANALYSIS

62

63 The interest income for the portfolio is expected to decrease slightly over the course of the year
64 as the City's higher yield securities either mature or are called and the funds are re-invested.
65 Staff noted that revenue projections for the upcoming fiscal year would be significantly lower.

66

67 V. OTHER ITEMS

68

69 The Committee's next meeting will be on Wednesday, November 17, 2010 at 7:30 a.m. in the
70 Administration Conference Room at City Hall.

71

72 VI. ADJOURN

73

Section 2

City of Corinth
Annual Investment Report
September 2010

INVESTMENT REPORT



November 17, 2010

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 January 21, 2010, 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 Financial Services 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 NorthStar Bank. The Frost Bank 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, (4) safekeeping services, and (5) Courier service that includes daily pick-up and delivery of city deposits at various remote locations. These automated services facilitate full utilization of available cash thus maximizing interest income.

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.

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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Lee Ann Bunselmeyer
Director of Finance

Signature Redacted

Chris Rodriguez
Financial Services Manager

CITY OF CORINTH
ANNUAL INVESTMENT REPORT
For Period Ending September 30, 2010

Security Type	Par Value	Book Value	Market Value	% of Mkt to Book
U. S. Federal Agency-Coupon	\$ 8,115,000	\$ 8,336,731	\$ 8,377,936	100.49%
U.S. Federal Agency -Callable	3,450,000	3,450,325	3,461,756	100.33%
Certificates of Deposit	990,000	990,000	990,000	100.00%
Managed Pools	6,005,252	6,005,252	6,005,252	100.00%
Money Market	4,214,428	4,214,428	4,214,428	0.00%
Bank Cash	2,895,042	2,895,042	2,895,042	100.00%
	<u>\$ 25,669,721</u>	<u>\$ 25,891,778</u>	<u>\$ 25,944,413</u>	<u>100.20%</u>

PORTFOLIO SUMMARY REPORT

Beginning Par Value as of 9/30/2009	\$ 33,370,355
Beginning Book Value as of 9/30/2009	\$ 33,500,450
Beginning Market Value as of 9/30/2009	\$ 33,599,827
WAM at Beginning Date (Days)	322
Ending Par Value as of 9/30/2010	\$ 25,669,721
Ending Book Value as of 9/30/2010	\$ 25,891,778
Ending Market Value as of 9/30/2010	\$ 25,944,413
WAM at Ending Date (Days)	243
Change to Market Value ⁽¹⁾	\$ (7,655,414)

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

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.

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Lee Ann Bunselmeyer
 Director of Finance

Signature Redacted

Chris Rodriguez
 Financial Services Manager

Signature Redacted

Scott McIntyre, First Southwest Asset Management

Investment Strategies Compliance Report

For Period Ending September 30, 2010

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 9/30/2009	\$	9,087,875
Beginning Market Value as of 9/30/2009	\$	9,158,642
WAM at Beginning Date (Days)		268
Ending Book Value as of 9/30/2010	\$	9,578,416
Ending Market Value as of 9/30/2010	\$	9,604,061
Unrealized Gain/(Loss)	\$	25,645
Change to Market Value ⁽¹⁾	\$	445,419
WAM at Ending Date (Days)		206
WAM Policy Benchmark ≤		270

⁽¹⁾ The change in Market Value is due to investing more of the available funds for the Street Maintenance Fund and the Storm Drainage Fund.

DEBT SERVICE 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 9/30/2009	\$	721,133
Beginning Market Value as of 9/30/2009	\$	728,730
WAM at Beginning Date (Days)		370
Ending Book Value as of 9/30/2010	\$	766,373
Ending Market Value as of 9/30/2010	\$	759,914
Unrealized Gain/(Loss)	\$	(6,459)
Change to Market Value	\$	31,184
WAM at Ending Date (Days)		305
WAM Policy Benchmark ≤		365

Investment Strategies Compliance Report

For Period Ending September 30, 2010

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 9/30/2009	\$	22,136,775
Beginning Market Value as of 9/30/2009	\$	22,157,565
WAM at Beginning Date (Days)		362
Ending Book Value as of 9/30/2010	\$	15,195,635
Ending Market Value as of 9/30/2010	\$	15,229,084
Unrealized Gain/(Loss)	\$	33,449
Change to Market Value ⁽¹⁾	\$	(6,928,481)
WAM at Ending Date (Days)		268
WAM Policy Benchmark ≤		365

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

SPECIAL REVENUE FUNDS

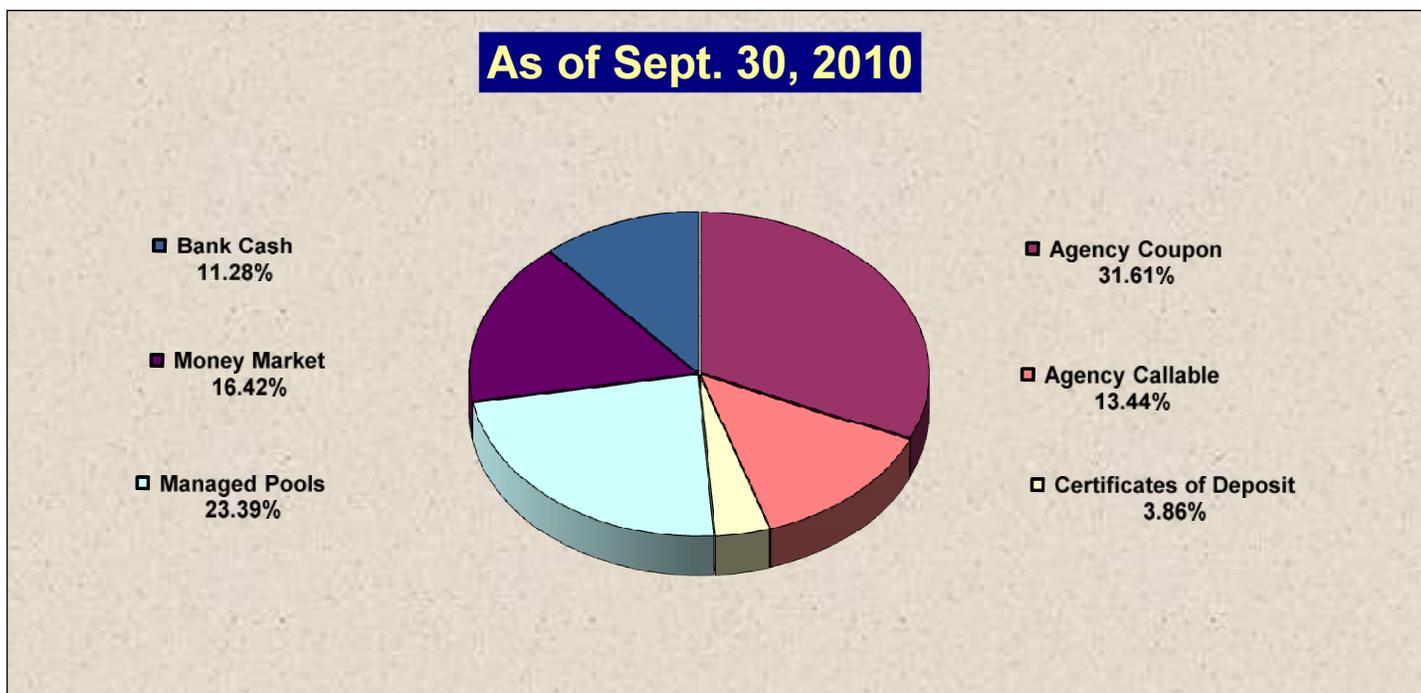
Investment strategies for construction projects or special revenue fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility 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 9/30/2009	\$	1,554,667
Beginning Market Value as of 9/30/2009	\$	1,554,890
WAM at Beginning Date (Days)		41
Ending Book Value as of 9/30/2010	\$	351,354
Ending Market Value as of 9/30/2010	\$	351,354
Unrealized Gain/(Loss)	\$	-
Change to Market Value ⁽²⁾	\$	(1,203,536)
WAM at Ending Date (Days)		1
WAM Policy Benchmark ≤		270

⁽²⁾ The decrease in the Market Value is due to the transfer of available impact fees to the Water, Wastewater, and Street Capital Improvement program. The transfer of funds was budgeted in FY 2009-10.

ANNUAL INVESTMENT REPORT
Portfolio Summary By Market Sector

Market Sector	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
U.S. Federal Agency -Coupon	\$ 5,815,000	\$ 10,635,000	\$ 9,540,000	\$ 8,115,000
U.S. Federal Agency-Callable	11,750,000	10,095,000	7,050,000	3,450,000
Certificates of Deposit	1,089,000	990,000	990,000	990,000
Managed Pools	11,397,165	5,200,179	5,252,374	6,005,252
Money Market	-	5,757,632	5,705,870	4,214,428
Bank Cash	2,368,306	1,702,522	2,449,731	2,895,042
Total Par Value:	\$ 32,419,471	\$ 34,380,333	\$ 30,987,975	\$ 25,669,721



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.

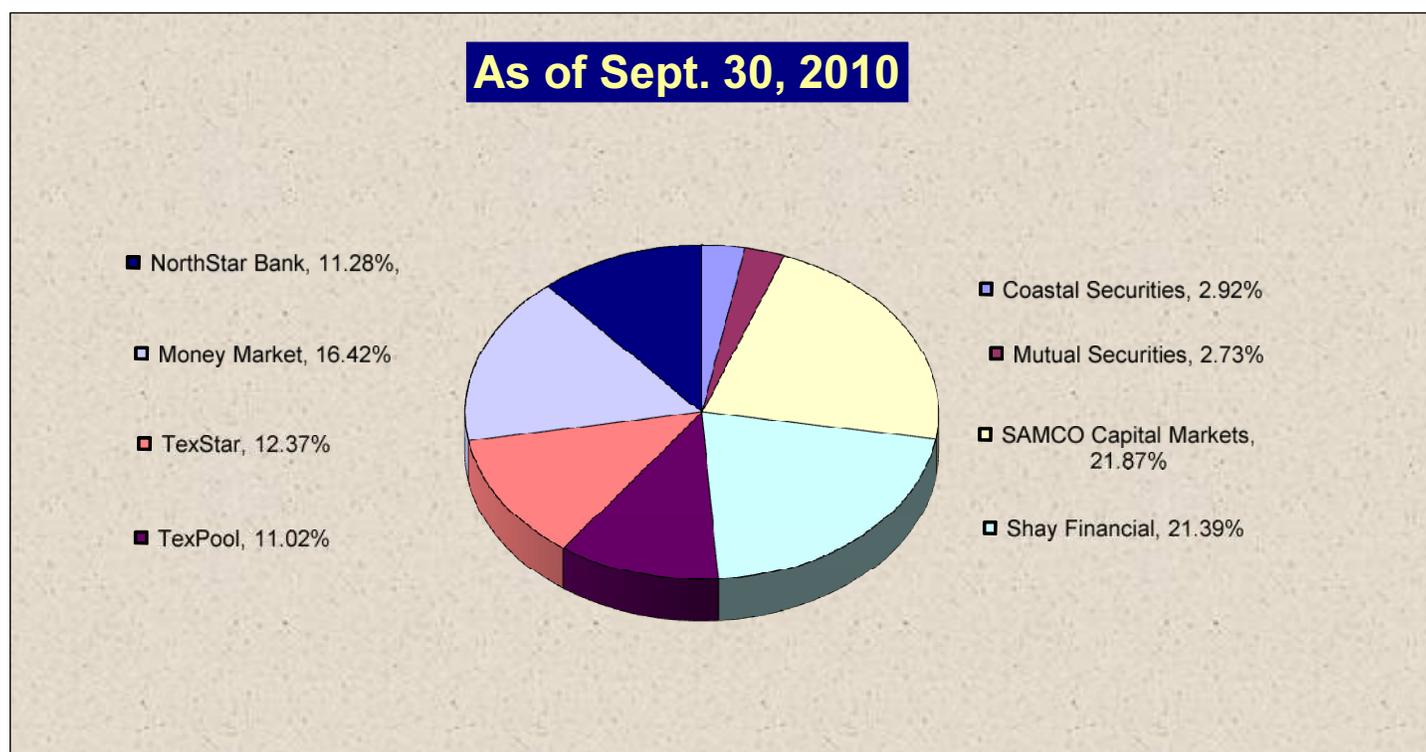
Performance Indicators	Policy Benchmark	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
Average Yield to Maturity		1.34%	1.26%	1.16%	1.02%
≥ Policy Benchmark-(Six Month T-Bill)		0.16%	0.22%	0.19%	0.19%
Callable Securities ≤	30.00%	36.24%	29.36%	22.75%	13.44%
Investment By Type ≤					
U.S. Treasuries	100.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies	100.00%	54.17%	60.29%	53.54%	45.05%
Certificates of Deposit	100.00%	3.36%	2.88%	3.19%	3.86%
Managed Pools	50.00%	35.16%	15.13%	16.95%	23.39%
Money Market	100.00%	0.00%	16.75%	18.41%	16.42%
Cash	100.00%	7.31%	4.95%	7.91%	11.28%

Note: The portfolio is below the benchmark for callable securities in Sept. 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, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
Broker/Dealer				
Coastal Securities	\$ 4,000,000	\$ 4,745,000	\$ 1,750,000	\$ 750,000
Mutual Securities	2,750,000	2,750,000	2,000,000	700,000
SAMCO Capital Markets	6,820,000	6,340,000	7,290,000	5,615,000
Shay Financial	5,084,000	7,885,000	6,540,000	5,490,000
Total Broker/Dealer	\$ 18,654,000	\$ 21,720,000	\$ 17,580,000	\$ 12,555,000
Managed Pools/ Depository Bank				
TexPool	\$ 6,274,215	\$ 3,625,964	\$ 2,827,375	\$ 2,828,968
TexStar	5,122,950	1,574,215	2,424,999	3,176,284
Wachovia	57,177	-	-	-
Money Market	-	5,757,632	5,705,870	4,214,428
NorthStar Bank	2,311,129	1,702,522	2,449,731	2,895,042
Total Managed Pools/Depository Bank	\$ 13,765,471	\$ 12,660,333	\$ 13,407,975	\$ 13,114,721
Total Par Value:	\$ 32,419,471	\$ 34,380,333	\$ 30,987,975	\$ 25,669,721

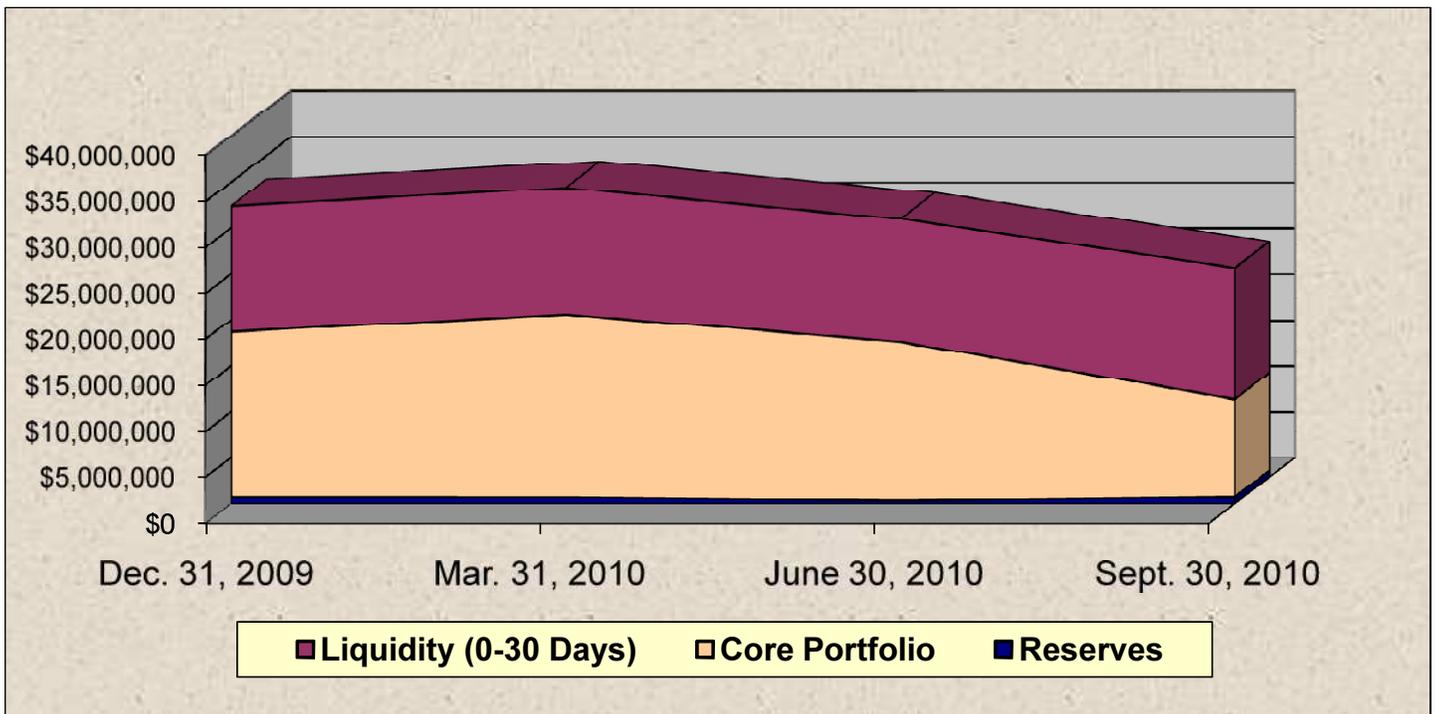


To guard against default possibilities, and to promote diversification of bidders, business with any one issuer, or investment broker, is limited to forty (40%) percent of the total portfolio at any point in time. As shown in the table below, the portfolio adhered to this provision throughout the quarter.

Performance Indicators	Policy Benchmark	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
Highest Broker Percent ≤	40.00%	21.04%	22.93%	23.53%	21.87%

ANNUAL INVESTMENT REPORT
Portfolio Summary By Maturity

Maturity Time Frame	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
0-30 Days	\$ 13,765,471	\$ 13,805,333	\$ 13,407,975	\$ 14,264,721
31-90 Days	99,000	-	1,520,000	-
91-180 Days	1,145,000	1,410,000	1,150,000	2,390,000
181-270 Days	1,410,000	1,260,000	2,440,000	845,000
271-360 Days	1,260,000	2,390,000	945,000	500,000
361-450 Days	4,290,000	1,445,000	1,500,000	-
451-540 Days	500,000	1,500,000	-	3,525,000
541 Days & Over	9,950,000	12,570,000	10,025,000	4,145,000
	\$ 32,419,471	\$ 34,380,333	\$ 30,987,975	\$ 25,669,721



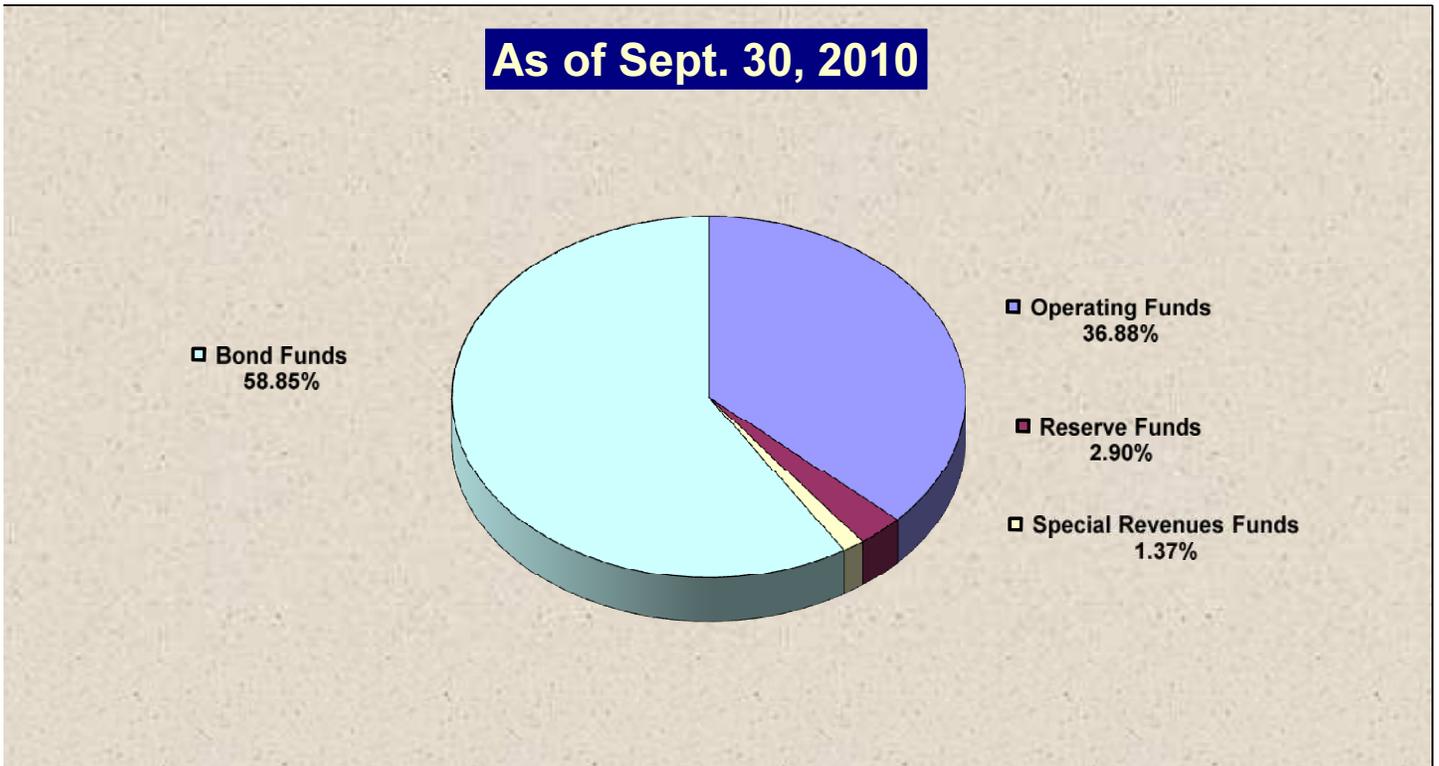
The risk of market price volatility is minimized through maturity diversification. The maturities on our investments are staggered over a series of three-month increments to provide cash flow based on the anticipated needs of the City. Liquidity is achieved by matching investment maturities with forecasted 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, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
Weighted Avg. Maturity ≤	365 Days	325	376	288	243
Maturities ≤30 days ≥	5.00%	42.46%	40.15%	43.27%	55.57%

Note: The portfolio is within the benchmark limits for the Weighted Average Maturity and liquidity is at 56% at the end of the fiscal year.

ANNUAL INVESTMENT REPORT
Portfolio Summary By Fund Type

Fund Type	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
Operating Funds	\$ 8,969,909	\$ 12,277,309	\$ 12,738,447	\$ 9,467,757
Reserve Funds	715,000	690,000	340,000	745,000
Special Revenues Funds	-	550,597	250,978	351,354
Bond Funds	22,734,562	20,862,427	17,658,550	15,105,610
	\$ 32,419,471	\$ 34,380,333	\$ 30,987,975	\$ 25,669,721



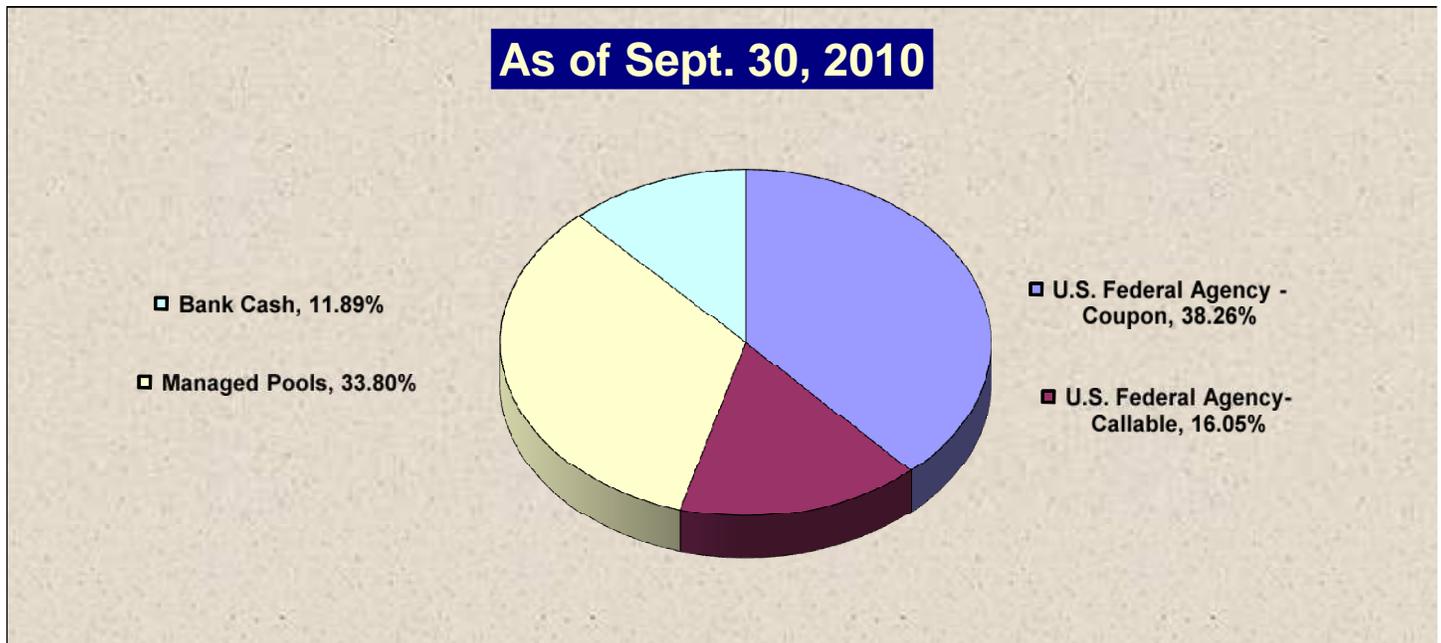
As shown in the graph above, the investments in the portfolio are distributed by fund type. Preservation and safety of principal of these investments is the most important strategy. All investments shall be high quality securities with no perceived default risk. Market fluctuations will occur; however,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

Performance Indicators	Policy Benchmark	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
WAM by Fund ≤					
Operating Funds	270 Days	245	284	197	206
Reserve Funds	365 Days	279	400	66	305
Special Revenue Funds	270 Days	0	14	1	1
Bond Funds	365 Days	359	440	363	268

Note: The Weighted Average Maturity for all Funds are below the policy benchmark.

ANNUAL INVESTMENT REPORT
Economic Development Corporation

Market Sector	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
U.S. Federal Agency -Coupon	\$ 1,470,000	\$ 1,215,000	\$ 865,000	\$ 715,000
U.S. Federal Agency-Callable	-	255,000	-	300,000
Managed Pools	396,997	397,151	756,168	631,593
Bank Cash	238,550	268,243	240,726	222,140
Total Par Value:	\$ 2,105,547	\$ 2,135,394	\$ 1,861,894	\$ 1,868,732



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 Benchmark	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
Average Yield to Maturity		2.24%	2.03%	0.98%	0.79%
≥ Policy Benchmark-(Six Month T-Bill)		0.16%	0.22%	0.19%	0.19%
Callable Securities ≤	30.00%	0.00%	11.94%	0.00%	16.05%
Investment By Type ≤					
U.S. Treasuries	100.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies	100.00%	69.82%	68.84%	46.46%	54.31%
Managed Pools	100.00%	18.85%	18.60%	40.61%	33.80%
Cash	100.00%	11.33%	12.56%	12.93%	11.89%
Weighted Avg. Maturity ≤	270 Days	198	260	91	266
Maturities ≤30 days ≥	5.00%	30.18%	31.16%	53.54%	45.69%

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 45% at the end of the fiscal year.

ANNUAL INVESTMENT REPORT
Crime Control & Prevention District

Market Sector	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
U.S. Federal Agency -Coupon Cash in Bank	\$ - 112,882	\$ - 112,017	\$ - 128,162	\$ - 127,938
Total Par Value:	\$ 112,882	\$ 112,017	\$ 128,162	\$ 127,938



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.

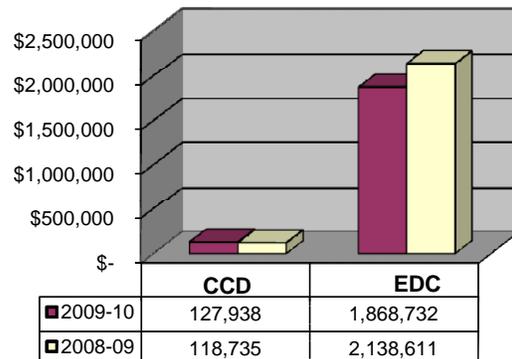
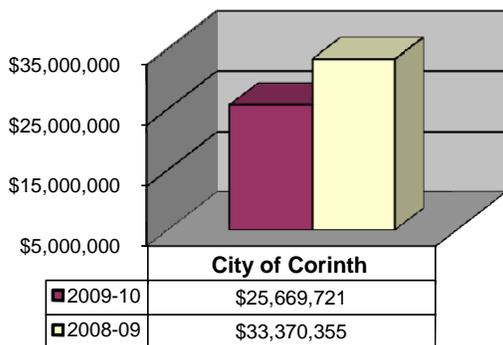
Performance Indicators	Policy Benchmark	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
Average Yield to Maturity		0.50%	0.50%	0.50%	0.50%
≥ Policy Benchmark-(Six Month T-Bill)		0.16%	0.22%	0.19%	0.19%
Callable Securities ≤	30.00%	0.00%	0.00%	0.00%	0.00%
Investment By Type ≤					
U.S. Treasuries	100.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies	100.00%	0.00%	0.00%	0.00%	0.00%
Managed Pools	100.00%	0.00%	0.00%	0.00%	0.00%
Cash	100.00%	100.00%	100.00%	100.00%	100.00%
Weighted Avg. Maturity ≤	270 Days	1	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.

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

Fund Name	Actual 2009-10	Actual 2008-09	Variance
OPERATING FUNDS:			
01 General Fund	3,830,768	4,468,241	\$ (637,473)
02 Water/Sewer Operations	1,657,396	1,604,953	52,443
10 Street Maintenance Sales Tax	708,620	506,975	201,645
46 Storm Water Utility Fund	375,931	300,000	75,931
Wachovia/Northstar Cash	2,895,041	2,119,634	775,407
	<u>\$ 9,467,756</u>	<u>\$ 8,999,803</u>	<u>\$ 467,954</u>
DEBT SERVICE RESERVE FUNDS:			
04 Debt Service	745,000	715,000	\$ 30,000
	<u>\$ 745,000</u>	<u>\$ 715,000</u>	<u>\$ 30,000</u>
SPECIAL PURPOSE FUNDS:			
06 Capital Project Fund	351,354	450,000	(98,646)
11 Roadway Impact Fees	-	650,000	\$ (650,000)
44 Water/Sewer Impact Fees	-	604,000	(604,000)
45 Wastewater Impact Fees	-	300,000	(300,000)
	<u>\$ 351,354</u>	<u>\$ 2,004,000</u>	<u>\$ (1,652,646)</u>
BOND FUNDS:			
03 Water/Sewer Capital Fund	-	750,000	\$ (750,000)
50 Water - 2007 C.O.	4,603,334	5,528,287	(924,953)
60 Sewer - 2007 C.O.	4,569,555	4,713,098	(143,544)
70 Streets - 2007 C.O.	4,365,902	8,220,338	(3,854,436)
80 Drainage - 2007 C.O.	766,819	2,214,129	(1,447,310)
90 All Departmental - 2007 C.O.	100,000	225,700	(125,700)
91 Fire - 2010 C.O.	700,000	-	700,000
	<u>\$ 15,105,610</u>	<u>\$ 21,651,552</u>	<u>\$ (6,545,942)</u>
	<u><u>\$ 25,669,721</u></u>	<u><u>\$ 33,370,355</u></u>	<u><u>\$ (7,700,634)</u></u>
OTHER FUNDS:			
12 Crime Control & Prevention District	\$ 127,938	\$ 118,735	\$ 9,203
14 Economic Development Corporation	1,868,732	2,138,611	(269,878)
	<u>\$ 1,996,670</u>	<u>\$ 2,257,346</u>	<u>\$ (260,675)</u>

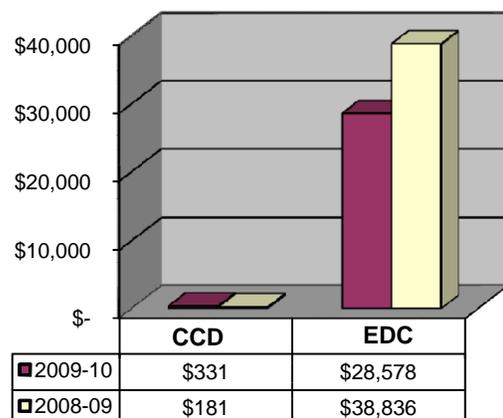
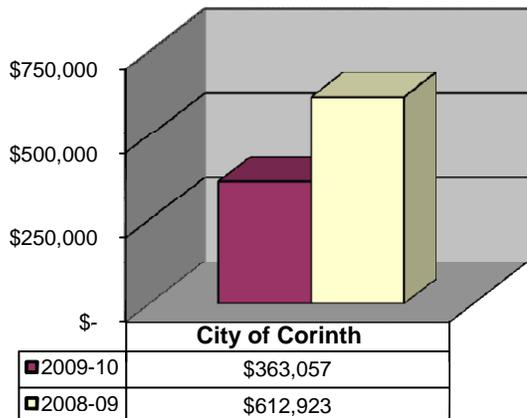
INVESTED BALANCE COMPARISON



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

Fund	Name	Actual 2009-10	Actual 2008-09	Variance
OPERATING FUNDS:				
01	General Fund	\$ 126,100	\$ 166,656	\$ (40,556)
02	Water/Sewer Operations	26,486	14,465	12,021
10	Street Maintenance Sales Tax	4,964	3,471	1,493
46	Storm Water Utility Fund	1,308	2,024	(716)
		<u>\$ 158,858</u>	<u>\$ 186,616</u>	<u>\$ (27,758)</u>
RESERVE FUNDS:				
04	Debt Service	\$ 12,880	\$ 27,896	\$ (15,015)
20	W/WW Interest & Sinking	-	12,026	(12,026)
		<u>\$ 12,880</u>	<u>\$ 39,922</u>	<u>\$ (27,042)</u>
SPECIAL PURPOSE FUNDS:				
11	Roadway Impact Fees	\$ 332	\$ 13,736	\$ (13,404)
13	Special Revenue	3	0	3
44	Water/Sewer Impact Fees	1,576	7,802	(6,226)
45	Wastewater Impact Fees	174	4,242	(4,069)
		<u>\$ 2,085</u>	<u>\$ 25,780</u>	<u>\$ (23,696)</u>
BOND FUNDS:				
03	Water/Sewer Capital Fund	\$ 1,099	\$ 20,887	\$ (19,788)
06	Capital Project Fund	4,282	7,451	(3,169)
31	Parks 2008 CIP	-	-	-
50	Water - 2007 C.O.	60,891	113,817	(52,926)
60	Sewer - 2007 C.O.	49,702	92,365	(42,662)
70	Streets - 2007 C.O.	55,344	96,280	(40,936)
80	Drainage - 2007 C.O.	15,924	27,841	(11,917)
90	All Departmental - 2007 C.O.	1,343	1,965	(622)
91	Fire - 2010 C.O.	648	0	648
		<u>\$ 189,234</u>	<u>\$ 360,605</u>	<u>\$ (171,371)</u>
		<u>\$ 363,057</u>	<u>\$ 612,923</u>	<u>\$ (249,866)</u>
OTHER FUNDS:				
12	Crime Control & Prevention District	\$ 331	\$ 181	\$ 150
14	Economic Development Corporation	28,578	38,836	(10,257)
		<u>\$ 28,909</u>	<u>\$ 39,017</u>	<u>\$ (10,108)</u>

INTEREST EARNINGS COMPARISON



City of Corinth, Texas

ANNUAL INVESTMENT REPORT

For Fiscal Year Ended September 30, 2010



APPENDIX A

**Investment Report
For Month Ending September 30, 2010**



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

City of Corinth portfolio
Texas Compliance Change In Value Report
Sorted by Fund
October 1, 2009 - September 30, 2010

Inv #	Issuer	Par Value	Fund	YTM	Purch Date	Mat Date	Interest Received	Interest Accrued	Beginning Book Value	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	Ending Market Value
Fund: Pooled Cash															
10012	NTHSTR	2,895,041.57	00	0.500	10/01/2007	/ /	8,796.94	0.00	1,171,117.08	1,171,117.08	0.00	0.00	1,723,924.49	2,895,041.57	2,895,041.57
SYS10012							0.00	0.00	1,171,117.08	1,171,117.08	0.00	0.00	1,723,924.49	2,895,041.57	2,895,041.57
Sub Totals For: Fund: Pooled Cash															
							8,796.94	0.00	1,171,117.08	1,171,117.08	0.00	0.00	1,723,924.49	2,895,041.57	2,895,041.57
Fund: Pooled Cash-Eco Dev															
10072	WACHVA		00B		10/01/2007		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10072					/ /		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub Totals For: Fund: Pooled Cash-Eco Dev															
							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fund: 01-General Fund															
10134	FHLMC		01		02/01/2008		12,480.00	0.00	304,384.28	304,384.28	0.00	0.00	-4,242.85	300,141.43	300,141.43
3128X3YF4		300,000.00	2.683		10/13/2010		12,480.00	0.00	310,647.00	310,647.00	0.00	0.00	-10,272.00	300,375.00	300,375.00
10294	FHLMC		01		08/31/2009		20,800.00	0.00	515,280.47	515,280.47	0.00	0.00	-15,044.76	500,235.71	500,235.71
3128X3YF4		500,000.00	2.712		10/13/2010		12,826.67	0.00	517,745.00	517,745.00	0.00	0.00	-17,120.00	500,625.00	500,625.00
10128	FNMA		01		02/07/2008		7,575.00	0.00	154,545.70	154,545.70	0.00	0.00	-3,367.18	151,178.52	151,178.52
31359MF81		150,000.00	2.698		02/07/2011		7,575.00	0.00	158,658.00	158,658.00	0.00	0.00	-6,207.00	152,451.00	152,451.00
10153	FNMA		01		04/01/2008		3,787.50	0.00	77,272.85	77,272.85	0.00	0.00	-1,683.59	75,589.26	75,589.26
31359MF81		75,000.00	2.701		02/07/2011		3,787.50	0.00	79,329.00	79,329.00	0.00	0.00	-3,103.50	76,225.50	76,225.50
10154	FNMA		01		04/01/2008		3,787.50	0.00	77,272.85	77,272.85	0.00	0.00	-1,683.59	75,589.26	75,589.26
31359MF81		75,000.00	2.701		02/07/2011		3,787.50	0.00	79,329.00	79,329.00	0.00	0.00	-3,103.50	76,225.50	76,225.50
10269	FNMA		01		04/30/2009		27,775.00	0.00	566,667.58	566,667.58	0.00	0.00	-12,346.36	554,321.22	554,321.22
31359MF81		550,000.00	2.733		02/07/2011		27,775.00	0.00	581,746.00	581,746.00	0.00	0.00	-22,759.00	558,987.00	558,987.00

Portfolio CITY
TC (PRF_TC) SymReptV7.1.000
Report Ver. 5.00

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2009 - September 30, 2010

Inv #	Cusip	Issuer	Par Value	Fund	YTM	Purch Date	Interest Received	Interest Accrued	Beginning Book Value	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	Ending Market Value
10335		FHLB		01		01/15/2010	36,444.44		0.00		1,108,455.50	0.00	-27,602.85	1,080,852.65	
3133XJUT3			1,025,000.00	1.154		03/09/2012	33,312.50		0.00		1,108,455.50	0.00	-19,464.75	1,088,990.75	
10376		FHLB		01		09/01/2010	62.52		0.00		100,000.00	0.00	62.52	100,062.52	
31337OEC8			100,000.00	1.305		08/02/2013	0.00		0.00		100,000.00	0.00	64.00	100,064.00	
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	52.40		227,240.72		0.00	0.00	-199,944.58	27,296.14	
SYS10140			27,296.14	0.211		/ /	55.42		227,240.72		0.00	0.00	-199,944.58	27,296.14	
10327		NTHSTR		01		01/31/2010	7,531.34		0.00		1,475,000.00	0.00	-1,337,528.43	137,471.57	
SYS10327			137,471.57	0.615		/ /	7,471.57		0.00		1,475,000.00	0.00	-1,337,528.43	137,471.57	
10254		FFIN		01		02/02/2009	2,308.62		99,000.00		0.00	0.00	0.00	99,000.00	
10254			99,000.00	2.300		01/20/2011	2,314.83		99,000.00		0.00	0.00	0.00	99,000.00	
10255		FFIN		01		02/02/2009	2,308.62		99,000.00		0.00	0.00	0.00	99,000.00	
10255			99,000.00	2.300		01/26/2011	2,321.17		99,000.00		0.00	0.00	0.00	99,000.00	
10256		FFIN		01		02/02/2009	2,308.62		99,000.00		0.00	0.00	0.00	99,000.00	
10256			99,000.00	2.300		01/26/2011	2,308.51		99,000.00		0.00	0.00	0.00	99,000.00	
10257		FFIN		01		02/02/2009	2,308.62		99,000.00		0.00	0.00	0.00	99,000.00	
10257			99,000.00	2.300		01/28/2011	2,314.83		99,000.00		0.00	0.00	0.00	99,000.00	
10258		FFIN		01		02/02/2009	2,308.62		99,000.00		0.00	0.00	0.00	99,000.00	
10258			99,000.00	2.300		01/31/2011	2,124.85		99,000.00		0.00	0.00	0.00	99,000.00	
10259		FFIN		01		02/03/2009	2,308.63		99,000.00		0.00	0.00	0.00	99,000.00	
10259			99,000.00	2.300		01/31/2011	2,117.55		99,000.00		0.00	0.00	0.00	99,000.00	
10260		FFIN		01		02/03/2009	2,308.62		99,000.00		0.00	0.00	0.00	99,000.00	
10260			99,000.00	2.300		02/02/2011	2,314.88		99,000.00		0.00	0.00	0.00	99,000.00	

Portfolio CITY

City of Corinth portfolio
Texas Compliance Change in Value Report
October 1, 2009 - September 30, 2010

Inv #	Issuer	Fund	YTM	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value			Mat Date	Interest Received	Market Value				Market Value
10261	FFIN	01	0.00	02/03/2009	2,308.62	99,000.00	0.00	0.00	0.00	99,000.00
10261	99,000.00	2.300		02/02/2011	2,118.80	99,000.00	0.00	0.00	0.00	99,000.00
10262	FFIN	01	0.00	02/03/2009	2,308.62	99,000.00	0.00	0.00	0.00	99,000.00
10262	99,000.00	2.300		02/02/2011	2,118.80	99,000.00	0.00	0.00	0.00	99,000.00
Sub Totals For: Fund: 01-General Fund										
					141,073.29	2,813,664.45	2,683,455.50	0.00	-1,603,381.67	3,893,738.28
					129,125.38	2,845,694.72	2,683,455.50	0.00	-1,619,438.76	3,909,711.46
Fund: 02-Water/Sewer Operations										
10305	FHLMC	02	0.00	09/01/2009	7,048.61	367,194.95	0.00	356,602.87	-10,592.08	0.00
3128X4QK0	0.00	0.000		10/18/2010	8,506.94	365,627.50	0.00	356,602.87	-9,024.63	0.00
10338	FHLB	02	0.00	01/14/2010	13,117.71	0.00	372,218.00	0.00	-11,284.64	360,933.36
3133XFJY3	350,000.00	0.703		06/10/2011	7,452.08	0.00	372,218.00	0.00	-11,718.00	360,500.00
10322	FHLB	02	0.00	11/18/2009	16,302.08	0.00	525,990.00	0.00	-12,495.96	513,494.04
3133XRY46	500,000.00	0.847		09/09/2011	15,156.25	0.00	525,990.00	0.00	-10,085.00	515,905.00
10289	FHLMC	02	0.00	08/24/2009	1,794.44	100,000.00	0.00	100,000.00	0.00	0.00
3128X9C00	0.00	0.000		02/24/2012	2,000.00	100,714.00	0.00	100,000.00	-714.00	0.00
10280	FHLMC	02	0.00	06/29/2009	4,466.67	400,000.00	0.00	400,000.00	0.00	0.00
3128X82R2	0.00	0.000		06/29/2012	6,000.00	401,756.00	0.00	400,000.00	-1,756.00	0.00
10348	FHLB	02	0.00	02/02/2010	8,091.15	0.00	272,765.00	0.00	-5,272.13	267,492.87
3133XDTB7	250,000.00	2.039		12/14/2012	4,468.75	0.00	272,765.00	0.00	-855.00	271,910.00
10359	FNMA	02	0.00	06/14/2010	1,634.72	0.00	400,000.00	0.00	0.00	400,000.00
3136FMWTT	400,000.00	6.875		12/14/2012	0.00	0.00	400,000.00	0.00	2,052.00	402,052.00
10023	FEDER	02	0.00	10/01/2007	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
10211	TXSTAR	02	0.00	11/12/2008	203.77	205,953.03	0.00	0.00	-99,784.46	106,168.57
SYS10211	106,168.57	0.211		/ /	215.54	205,953.03	0.00	0.00	-99,784.46	106,168.57

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2009 - September 30, 2010

Inv #	Cusip	Issuer	Par Value	YTM	Fund	Purch Date	Mat Date	Interest Received	Interest Accrued	Beginning Book Value	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	Ending Market Value
10358	SYS10358	NTHSTR	51,227.67	0.615	02	06/30/2010	/ /	1,193.35	1,227.67	0.00	0.00	600,000.00	0.00	-548,772.33	51,227.67	51,227.67
Sub Totals For: Fund: 02-Water/Sewer Operations																
								53,852.50	45,027.23	1,073,147.98	1,074,050.53	2,170,973.00	856,602.87	-688,201.60	1,699,316.51	1,707,763.24
Fund: 03-Water/Sewer Capital																
10231		FHLMC			03	01/14/2009		364.59		250,000.00	250,000.00	0.00	250,000.00	0.00	0.00	0.00
3128X8EC2		0.00		0.000	0.000	01/14/2011		1,300.35		251,062.50	251,062.50	0.00	250,000.00	-1,062.50	0.00	0.00
10230		FHLMC			03	01/06/2009		729.17		500,000.00	500,000.00	0.00	500,000.00	0.00	0.00	0.00
3133XSSV5		0.00		0.000	0.000	07/06/2011		2,795.14		501,780.00	501,780.00	0.00	500,000.00	-1,780.00	0.00	0.00
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																
								1,093.76	4,095.49	750,000.00	752,842.50	0.00	750,000.00	-2,842.50	0.00	0.00
Fund: 04-Debt Service																
10374		FHLMC			04	09/01/2010		2,165.62		0.00	0.00	512,325.90	0.00	3,984.19	516,310.09	516,310.09
3133XFJY3		495,000.00		0.712	0.712	06/10/2011		0.00		0.00	0.00	512,325.90	0.00	-2,475.90	509,850.00	509,850.00
10287		FHLMC			04	08/24/2009		806.86		125,000.00	125,000.00	0.00	125,000.00	0.00	0.00	0.00
3128X9BR0		0.00		0.000	0.000	08/24/2011		1,015.63		125,350.00	125,350.00	0.00	125,000.00	-350.00	0.00	0.00
10377		FHLMC			04	09/01/2010		62.52		0.00	0.00	100,000.00	0.00	62.52	100,062.52	100,062.52
31337OEC8		100,000.00		1.305	1.305	08/02/2013		0.00		0.00	0.00	100,000.00	0.00	64.00	100,064.00	100,064.00
10017		TXSTAR			04	10/01/2007		0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10017		0.00		5.288	/ /	/ /		0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
10328		NTHSTR			04	01/31/2010		818.92		0.00	0.00	1,700,000.00	0.00	-1,550,000.00	150,000.00	150,000.00
SYS10328		150,000.00		0.615	/ /	/ /		612.50		0.00	0.00	1,700,000.00	0.00	-1,550,000.00	150,000.00	150,000.00
Sub Totals For: Fund: 04-Debt Service																
								3,853.92	1,628.13	125,000.00	125,350.00	2,312,325.90	125,000.00	-1,545,953.29	766,372.61	759,914.00

Portfolio CITY

City of Corinth portfolio
Texas Compliance Change in Value Report
October 1, 2009 - September 30, 2010

Inv #	Cusip	Issuer	Par Value	Fund	YTM	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: 06- Capital Project															
10297		FHLB		06		08/31/2009		1,239.58	350,583.33	350,583.33	0.00	350,000.00	-583.33	0.00	0.00
3133XSUE6		0.00		0.000		01/13/2011		1,604.17	351,018.50	351,018.50	0.00	350,000.00	-1,018.50	0.00	0.00
10281		FHLMC		06		06/29/2009		604.17	100,000.00	100,000.00	0.00	100,000.00	0.00	0.00	0.00
3128X62R2		0.00		0.000		06/29/2012		987.50	100,439.00	100,439.00	0.00	100,000.00	-439.00	0.00	0.00
10019		TXPOOL		06		10/01/2007		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10019		0.00		4.928		/ /		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10329		NTHSTR		06		01/31/2010		1,344.97	0.00	0.00	450,000.00	0.00	-98,645.82	351,354.18	351,354.18
SYS10329		351,354.18		0.615		/ /		1,354.18	0.00	0.00	450,000.00	0.00	-98,645.82	351,354.18	351,354.18
Sub Totals For: Fund: 06- Capital Project															
									3,188.72	450,583.33	450,000.00	450,000.00	-99,229.15	351,354.18	351,354.18
									3,945.85	451,457.50	450,000.00	450,000.00	-100,103.32	351,354.18	351,354.18
Fund: 07-Recreation Fund															
10013		TXSTAR		07		10/01/2007		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10013		0.00		5.292		/ /		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub Totals For: Fund: 07-Recreation Fund															
									0.00	0.00	0.00	0.00	0.00	0.00	0.00
									0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fund: 10-Street Maint Sales Tax															
10303		FNMA		10		09/01/2009		5,050.00	103,367.14	103,367.14	0.00	0.00	-2,581.46	100,785.68	100,785.68
31359MF81		100,000.00		2.744		02/07/2011		4,713.33	105,772.00	105,772.00	0.00	0.00	-4,138.00	101,634.00	101,634.00
10361		FHLB		10		08/05/2010		118.79	0.00	0.00	100,000.00	0.00	6.25	100,006.25	100,006.25
31337OEC8		100,000.00		1.292		08/02/2013		0.00	0.00	0.00	100,000.00	0.00	64.00	100,064.00	100,064.00
10365		FHLB		10		08/30/2010		43.54	0.00	0.00	100,000.00	0.00	0.00	100,000.00	100,000.00
31337OSQ2		100,000.00		0.502		08/28/2013		0.00	0.00	0.00	100,000.00	0.00	110.00	100,110.00	100,110.00
10155		TXSTAR		10		05/27/2008		270.36	406,974.84	406,974.84	0.00	0.00	-299,660.13	107,314.71	107,314.71
SYS10155		107,314.71		0.211		/ /		339.87	406,974.84	406,974.84	0.00	0.00	-299,660.13	107,314.71	107,314.71

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Inv #	Cusip	Par Value	Issuer	Fund	YTM	Purch Date	Interest Received	Interest Accrued	Beginning Book Value	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	Ending Market Value
10331	SYS10331	301,305.45	NTHSTR	10	0.615	01/31/2010	1,365.40	1,305.45	0.00	0.00	300,000.00	0.00	1,305.45	301,305.45	301,305.45
Sub Totals For: Fund: 10-Street Maint Sales Tax															
							6,848.09	6,358.65	510,341.98	512,746.84	500,000.00	0.00	-300,929.89	709,412.09	710,428.16
Fund: 12-Crime Control & Prevention															
10323	SYS10322	127,937.66	NTHSTR	12	0.500	12/31/2009	458.35	0.00	0.00	0.00	112,985.97	0.00	14,951.69	127,937.66	127,937.66
Sub Totals For: Fund: 12-Crime Control & Prevention															
							458.35	0.00	0.00	0.00	112,985.97	0.00	14,951.69	127,937.66	127,937.66
Fund: 14-Eco Dev Corp 4(B)															
10264	31359MF81	0.00	FNMA	14	0.000	02/27/2009	1,465.90	1,844.65	51,515.24	52,886.00	0.00	50,863.62	-651.62	0.00	0.00
10371	31359MF81	50,000.00	FNMA	14	2.769	09/01/2010	210.42	0.00	0.00	0.00	50,486.37	0.00	74.80	50,561.17	50,817.00
10286	3133MDBT9	215,000.00	FHLB	14	1.050	08/13/2009	12,631.25	12,631.26	229,105.16	229,918.85	0.00	0.00	-10,279.06	218,826.10	219,519.30
10320	3133XLFJ3	100,000.00	FHLB	14	0.775	11/18/2009	4,673.26	3,015.97	0.00	0.00	107,123.00	0.00	-3,967.08	103,155.92	103,000.00
10375	3133XRY46	150,000.00	FHLB	14	0.795	09/09/2011	4,531.25	4,875.00	0.00	0.00	157,929.00	0.00	-3,805.92	154,123.08	154,771.50
10372	3133X9ZZ6	100,000.00	FHLB	14	1.072	01/06/2012	375.00	0.00	0.00	0.00	104,571.39	0.00	404.73	104,976.12	105,185.00
10363	31337OEC8	300,000.00	FHLB	14	1.292	08/05/2010	356.35	0.00	0.00	0.00	300,000.00	0.00	18.76	300,018.76	300,192.00
Sub Totals For: Fund: 14-Eco Dev Corp 4(B)															
							356.35	0.00	0.00	0.00	300,000.00	0.00	192.00	300,192.00	300,192.00

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10007		TXPOOL		14		10/01/2007	1,113.09	396,787.12	396,787.12	0.00	0.00	234,805.42	631,592.54	631,592.54
SYS10007			631,592.54	0.217		/ /	1,043.47	396,787.12	396,787.12	0.00	0.00	234,805.42	631,592.54	631,592.54
10009		TXPOOL		14		10/01/2007	0.00	0.00	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	0.00	0.00
10021		NTHSTR		14		10/01/2007	2,532.72	221,823.45	221,823.45	0.00	0.00	316.29	222,139.74	222,139.74
SYS10021			222,139.74	0.900		/ /	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub Totals For: Fund: 14-Eco Dev Corp 4(B)														
Fund: 44-Water/Sewer Imp Fees														
10014		TXSTAR		44		10/01/2007	0.00	0.00	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	0.00	0.00
Sub Totals For: Fund: 44-Water/Sewer Imp Fees														
Fund: 46 - Storm Water Utilities														
10373		FHLB		46		09/01/2010	375.00	0.00	0.00	104,571.39	0.00	404.73	104,976.12	104,976.12
3133X9ZZ6			100,000.00	1.072		01/06/2012	0.00	0.00	0.00	104,571.39	0.00	613.61	105,185.00	105,185.00
10302		TXSTAR		46		09/30/2009	314.40	300,000.00	300,000.00	0.00	0.00	-149,643.17	150,356.83	150,356.83
SYS10302			150,356.83	0.211		/ /	356.83	300,000.00	300,000.00	0.00	0.00	-149,643.17	150,356.83	150,356.83
10332		NTHSTR		46		01/31/2010	569.06	0.00	0.00	225,000.00	0.00	-99,425.45	125,574.55	125,574.55
SYS10332			125,574.55	0.615		/ /	574.55	0.00	0.00	225,000.00	0.00	-99,425.45	125,574.55	125,574.55
Sub Totals For: Fund: 46 - Storm Water Utilities														
Fund: 50- Water 2007 C.O.														
10298		FHLB		50		08/31/2009	885.42	250,416.67	250,416.67	0.00	250,000.00	-416.67	0.00	0.00
3133XSUE6			0.00	0.000		01/13/2011	1,145.83	250,727.50	250,727.50	0.00	250,000.00	-727.50	0.00	0.00

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Cusip	Par Value	YTM	Mat Date	Interest Received	Market Value				Market Value
10295	FNMA	50	08/31/2009	3,576.39	502,152.78	0.00	500,000.00	-2,152.78	0.00
3136FHL Y9	0.00	0.000	04/27/2011	4,097.22	502,395.00	0.00	500,000.00	-2,395.00	0.00
10233	FHLMC	50	01/20/2009	6,055.56	1,000,000.00	0.00	1,000,000.00	0.00	0.00
3128X8EE8	0.00	0.000	07/20/2011	10,000.00	1,005,020.00	0.00	1,000,000.00	-5,020.00	0.00
10288	FHLMC	50	08/24/2009	2,420.58	375,000.00	0.00	375,000.00	0.00	0.00
3128X9BR0	0.00	0.000	08/24/2011	3,046.88	376,050.00	0.00	375,000.00	-1,050.00	0.00
10290	FHLMC	50	08/24/2009	3,588.89	200,000.00	0.00	200,000.00	0.00	0.00
3128X9CM0	0.00	0.000	02/24/2012	4,000.00	201,428.00	0.00	200,000.00	-1,428.00	0.00
10339	FHLB	50	01/21/2010	31,597.23	0.00	1,464,820.00	0.00	-21,100.26	1,443,719.74
3133XPCS1	1,400,000.00	1.049	03/09/2012	28,816.67	0.00	1,464,820.00	0.00	-9,282.00	1,455,538.00
10310	FNMA	50	09/16/2009	14,854.17	1,000,000.00	0.00	1,000,000.00	0.00	0.00
3136FJCL3	0.00	0.000	03/16/2012	15,500.00	999,300.00	0.00	1,000,000.00	700.00	0.00
10316	FHLB	50	10/28/2009	1,387.50	0.00	100,031.00	0.00	-11.84	100,019.16
3133XV2M2	100,000.00	1.487	03/30/2012	1,383.33	0.00	100,031.00	0.00	1,539.00	101,570.00
10369	FHLB	50	07/01/2010	3,881.25	0.00	372,410.25	0.00	-3,110.87	369,299.38
3133XCTG8	345,000.00	0.851	09/14/2012	3,148.12	0.00	372,410.25	0.00	-1,431.75	370,978.50
10366	FHLB	50	08/30/2010	108.85	0.00	250,000.00	0.00	0.00	250,000.00
31337OSQ2	250,000.00	1.083	08/28/2013	0.00	0.00	250,000.00	0.00	275.00	250,275.00
10066	TXPOOL	50	10/01/2007	2,445.82	1,906,287.47	0.00	0.00	-922,398.92	983,888.55
SYS10009	983,888.55	0.217	/ /	2,601.08	1,906,287.47	0.00	0.00	-922,398.92	983,888.55
10135	TXSTAR	50	03/14/2008	197.13	0.00	0.00	0.00	175,197.83	175,197.83
SYS10135	175,197.83	0.211	/ /	178.98	0.00	0.00	0.00	175,197.83	175,197.83
10333	NTHSTR	50	01/31/2010	5,540.83	0.00	1,100,000.00	0.00	150,247.89	1,250,247.89
SYS10333	1,250,247.89	0.615	/ /	5,247.89	0.00	1,100,000.00	0.00	150,247.89	1,250,247.89
10251	FFIN	50	02/02/2009	2,308.62	99,000.00	0.00	0.00	0.00	99,000.00
10251	99,000.00	2.300	01/14/2011	2,392.36	99,000.00	0.00	0.00	0.00	99,000.00

Portfolio CITY

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Cusip	Par Value			Mat Date	Interest Received	Market Value				Market Value
Sub Totals For: Fund: 50- Water 2007 C.O.										
					78,848.24	5,332,856.92	3,287,261.25	3,325,000.00	-623,745.62	4,671,372.55
					81,558.36	5,340,207.97	3,287,261.25	3,325,000.00	-615,773.45	4,686,695.77
Fund: 60- Wastewater 2007										
10299	FHLB	60		08/31/2009	1,062.50	300,500.00	0.00	300,000.00	-500.00	0.00
3133XSUE6	0.00	0.000		01/13/2011	1,375.00	300,873.00	0.00	300,000.00	-873.00	0.00
10232	FHLMC	60		01/14/2009	1,251.74	250,000.00	0.00	250,000.00	0.00	0.00
3128X8EC2	0.00	0.000		01/14/2011	2,187.50	251,062.50	0.00	250,000.00	-1,062.50	0.00
10279	FHLMC	60		06/05/2009	9,202.50	160,480.90	0.00	0.00	-7,637.90	152,843.00
3134A0VF6	150,000.00	0.987		02/15/2011	9,202.50	160,539.00	0.00	0.00	-7,437.00	153,102.00
10271	FNMA	60		04/28/2009	5,390.62	750,000.00	0.00	750,000.00	0.00	0.00
3136FHKS3	0.00	0.000		10/28/2011	9,375.00	753,292.50	0.00	750,000.00	-3,292.50	0.00
10313	FNMA	60		09/28/2009	19,833.33	1,000,000.00	0.00	1,000,000.00	0.00	0.00
31398AZF2	0.00	0.000		09/28/2012	20,000.00	999,730.00	0.00	1,000,000.00	270.00	0.00
10355	FHLB	60		05/13/2010	3,473.00	0.00	600,000.00	0.00	0.00	600,000.00
3133XYG25	600,000.00	1.510		11/13/2012	0.00	0.00	600,000.00	0.00	3,816.00	603,816.00
10378	FHLB	60		09/01/2010	187.55	0.00	300,000.00	0.00	187.56	300,187.56
31337OEC8	300,000.00	1.305		08/02/2013	0.00	0.00	300,000.00	0.00	192.00	300,192.00
10367	FHLB	60		08/30/2010	65.31	0.00	150,000.00	0.00	0.00	150,000.00
31337OSQ2	150,000.00	1.083		08/28/2013	0.00	0.00	150,000.00	0.00	165.00	150,165.00
10067	TXPOOL	60		10/01/2007	2,495.49	2,006,287.47	0.00	0.00	-1,022,331.46	983,956.01
SYS10009	983,956.01	0.217		/ /	2,668.54	2,006,287.47	0.00	0.00	-1,022,331.46	983,956.01
10136	TXSTAR	60		03/14/2008	1,473.13	256,810.95	0.00	0.00	1,726,299.02	1,983,109.97
SYS10136	1,983,109.97	0.211		/ /	1,299.02	256,810.95	0.00	0.00	1,726,299.02	1,983,109.97
10334	NTHSTR	60		01/31/2010	1,986.96	0.00	300,000.00	0.00	102,488.65	402,488.65
SYS10334	402,488.65	0.615		/ /	1,876.15	0.00	300,000.00	0.00	102,488.65	402,488.65

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Cusip	Par Value			Mat Date	Interest Received	Book Value	Market Value				Book Value	Market Value
Sub Totals For: Fund: 60- Wastewater 2007												
		70		01/14/2009	46,422.13	4,724,079.32	4,728,595.42	1,350,000.00	2,300,000.00	798,505.87	4,572,585.19	4,572,585.19
10234	FHLB	70		01/14/2009	1,416.67	400,000.00	401,164.00	0.00	400,000.00	0.00	0.00	0.00
3133XSUE6	0.00	0.000		01/13/2011	2,500.00	401,164.00	401,164.00	0.00	400,000.00	-1,164.00	0.00	0.00
10309	FHLB	70		09/11/2009	14,625.00	316,441.00	317,499.00	0.00	0.00	-11,382.23	305,058.77	305,058.77
3133XENX3	300,000.00	1.720		03/11/2011	14,625.00	317,499.00	317,499.00	0.00	0.00	-11,355.00	306,144.00	306,144.00
10291	FHLB	70		08/24/2009	7,536.67	700,000.00	700,000.00	0.00	700,000.00	0.00	0.00	0.00
3133XUKP7	0.00	0.000		08/24/2011	8,400.00	700,000.00	700,000.00	0.00	700,000.00	0.00	0.00	0.00
10235	FHLB	70		01/12/2009	3,857.64	1,000,000.00	1,000,000.00	0.00	1,000,000.00	0.00	0.00	0.00
3133XSUF3	0.00	0.000		01/12/2012	6,875.00	1,002,980.00	1,002,980.00	0.00	1,000,000.00	-2,980.00	0.00	0.00
10342	FFCB	70		01/21/2010	13,888.89	0.00	1,020,600.00	1,020,600.00	0.00	-7,192.74	1,013,407.26	1,013,407.26
31331GKY4	1,000,000.00	0.952		01/17/2012	9,777.78	0.00	1,020,600.00	1,020,600.00	0.00	240.00	1,020,840.00	1,020,840.00
10282	FHLMC	70		06/29/2009	3,350.00	300,000.00	300,000.00	0.00	300,000.00	0.00	0.00	0.00
3128X82R2	0.00	0.000		06/29/2012	4,500.00	301,317.00	301,317.00	0.00	300,000.00	-1,317.00	0.00	0.00
10311	FHLB	70		09/25/2009	1,813.71	300,498.53	299,449.50	0.00	300,200.00	-298.53	0.00	0.00
3133XUU68	0.00	0.000		09/25/2012	1,876.25	299,449.50	299,449.50	0.00	300,200.00	750.50	0.00	0.00
10356	FHLB	70		05/13/2010	1,736.50	0.00	300,000.00	300,000.00	0.00	0.00	300,000.00	300,000.00
3133XYG25	300,000.00	1.510		11/13/2012	0.00	0.00	300,000.00	300,000.00	0.00	1,908.00	301,908.00	301,908.00
10360	FNMA	70		06/14/2010	1,430.38	0.00	350,000.00	350,000.00	0.00	0.00	350,000.00	350,000.00
3136FMWT7	350,000.00	1.375		12/14/2012	0.00	0.00	350,000.00	350,000.00	0.00	1,795.50	351,795.50	351,795.50
10368	FHLB	70		08/30/2010	217.70	0.00	500,000.00	500,000.00	0.00	0.00	500,000.00	500,000.00
3133TOSQ2	500,000.00	1.083		08/28/2013	0.00	0.00	500,000.00	500,000.00	0.00	550.00	500,550.00	500,550.00
10064	TXPOOL	70		10/01/2007	2,544.06	2,358,320.88	2,358,320.88	0.00	0.00	-1,497,197.29	861,123.59	861,123.59
SYS10009	861,123.59	0.217		/ /	2,802.71	2,358,320.88	2,358,320.88	0.00	0.00	-1,497,197.29	861,123.59	861,123.59

Fund: 70 - Streets 2007 CIP

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10138			TXSTAR	70		03/14/2008	1,849.90		2,756,816.88	2,756,816.88	0.00	0.00	-2,446,796.63	310,020.25	310,020.25
SYS10138		310,020.25		0.211		/ /	2,298.98		2,756,816.88		0.00	0.00	-2,446,796.63	310,020.25	310,020.25
10330			NTHSTR	70		01/31/2010	5,880.79		0.00	0.00	200,000.00	0.00	544,758.10	744,758.10	744,758.10
SYS10330		744,758.10		0.615		/ /	5,227.41		0.00	0.00	200,000.00	0.00	544,758.10	744,758.10	744,758.10
Sub Totals For: Fund: 70 - Streets 2007 CIP															
							60,147.91		8,132,077.29	8,132,077.29	2,370,600.00	2,700,200.00	-3,418,109.32	4,384,367.97	4,384,367.97
10345			FHLMC	80		02/26/2010	10,451.39		0.00	0.00	356,602.87	0.00	-6,119.04	350,483.83	350,483.83
3128X4QK0		350,000.00		2.034		10/18/2010	2,527.78		0.00	0.00	356,602.87	0.00	-5,703.37	350,899.50	350,899.50
10292			FHLB	80		08/24/2009	3,230.00		300,000.00	300,000.00	0.00	300,000.00	0.00	0.00	0.00
3133XUKP7		0.00		0.000		08/24/2011	3,600.00		300,000.00	300,000.00	0.00	300,000.00	0.00	0.00	0.00
10312			FHLB	80		09/25/2009	1,207.12		199,998.69	199,998.69	0.00	199,800.00	-198.69	0.00	0.00
3133XUU68		0.00		0.000		09/25/2012	1,248.75		199,300.50	199,300.50	0.00	199,800.00	499.50	0.00	0.00
10364			FHLB	80		08/05/2010	118.79		0.00	0.00	100,000.00	0.00	6.25	100,006.25	100,006.25
31337OEC8		100,000.00		1.292		08/02/2013	0.00		0.00	0.00	100,000.00	0.00	64.00	100,064.00	100,064.00
10068			TXPOOL	80		10/01/2007	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10009		0.00		2.972		/ /	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
10137			TXSTAR	80		03/14/2008	1,287.14		1,465,329.00	1,465,329.00	0.00	0.00	-1,148,509.74	316,819.26	316,819.26
SYS10137		316,819.26		0.211		/ /	1,490.26		1,465,329.00		0.00	0.00	-1,148,509.74	316,819.26	316,819.26
Sub Totals For: Fund: 80 - Drainage 2007															
							16,294.44		1,965,327.69	1,965,327.69	456,602.87	499,800.00	-1,154,821.22	767,309.34	767,309.34
							8,866.79		1,964,629.50	1,964,629.50	456,602.87	499,800.00	-1,153,649.61	767,782.76	767,782.76
Fund: 90-All Departmental															
10300			FHLB	90		08/31/2009	354.17		100,166.67	100,166.67	0.00	100,000.00	-166.67	0.00	0.00
3133XSUE6		0.00		0.000		01/13/2011	458.33		100,291.00	100,291.00	0.00	100,000.00	-291.00	0.00	0.00
10357			FHLB	90		05/13/2010	578.83		0.00	0.00	100,000.00	0.00	0.00	100,000.00	100,000.00
3133XYG25		100,000.00		1.510		11/13/2012	0.00		0.00	0.00	100,000.00	0.00	636.00	100,636.00	100,636.00

Portfolio CITY

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2009 - September 30, 2010

Inv #	Cusip	Issuer	Par Value	YTM	Fund	Purch Date	Mat Date	Interest Received	Interest Accrual	Beginning Book Value	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	Ending Market Value
10065	SYS100099	TXPOOL	0.00	2.246	90	10/01/2007	/ /	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub Totals For: Fund: 90-All Departmental																
								933.00		100,166.67	100,000.00	100,000.00	100,000.00	-166.67	100,000.00	100,000.00
								458.33		100,291.00	100,000.00	100,000.00	100,000.00	345.00	100,636.00	100,636.00
10370		NTHSTR			91	09/30/2010		11.78		0.00	0.00	700,000.00	0.00	0.00	700,000.00	700,000.00
SYS10370			700,000.00	0.615		/ /		0.00		0.00	0.00	700,000.00	0.00	0.00	700,000.00	700,000.00
Sub Totals For: Fund: 91-Fire 2010 CO																
								11.78		0.00	0.00	700,000.00	0.00	0.00	700,000.00	700,000.00
								0.00		0.00	0.00	700,000.00	0.00	0.00	700,000.00	700,000.00
Report Grand Totals:																
								451,752.02		28,347,593.68	17,647,385.82	17,647,385.82	11,157,466.49	-6,928,099.06	27,909,413.95	27,909,413.95
								411,929.03		28,184,122.29	17,647,385.82	17,647,385.82	11,157,466.49	-6,933,614.03	27,740,427.59	27,740,427.59

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

For Fiscal Year Ended September 30, 2010



APPENDIX B

First Southwest Portfolio Assessment



City of Corinth, Texas
Portfolio Exceptions
Quarter Ending September 30, 2010

Fund Groups Included: Consolidated, Eco Development, and Crime Control

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

There were no exceptions noted.

Signature Redacted

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

11/2/2010

Date



City of Corinth, Texas
Portfolio Assessment
Quarter Ending September 30, 2010

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

▪ **Consolidated Portfolio**

- Yield-to-Maturity is 1.02%
- WAM is 243 days
- Net Asset Value is 1.002
- Percentage Liquid – 51%

The Consolidated portfolio is still benefiting from non-callable bonds with longer maturities originally purchased in 2008 and early 2009 when market yields were higher.

▪ **Eco Development**

- Yield-to-Maturity is 0.79%
- WAM is 266 days
- Net Asset Value is 1.00027
- Percentage Liquid – 45.7%

The Economic Development portfolio is also benefiting from a combination of non-callable paper purchased when yields were higher and callable bonds with longer final maturities.

▪ **Crime Prevention**

- Yield-to-Maturity is 0.50%
- WAM is 1 day
- Net Asset Value is 1.000
- Percentage Liquid – 100%

This Crime Prevention portfolio is 100% liquid with all assets held in Wachovia Bank. The size of the portfolio suggests that money markets are an acceptable investment choice.

Signature Redacted

Scott D. McIntyre, CFA
Senior Vice President

11/2/2010

Date

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

For Fiscal Year Ended September 30, 2010



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.

