



City of Corinth

Annual Investment Report

For the Period Ended September 30, 2011

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 2010 through September 2011 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 2011

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 16, 2011, the committee took action on the following items:

- √ Approved the minutes for the August 19, 2011 Investment Committee Meeting.
- √ Unanimously approved the FY 2010-11 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 19, at 7:55 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 27, 2011 COMMITTEE MEETING

17 **Action: Council Member Harrison made a motion to approve the April 27, 2011 minutes**
18 **as written. Mayor Ruggiere seconded the motion. The motion passed unanimously.**

20 II. DISCUSS AND APPROVE THE FY 2010-11 THIRD QUARTER INVESTMENT
21 REPORT

23 Chris presented the Third Quarter Investment Report for FY 2010-11. She noted that the
24 decrease in the market value for the portfolio was due to the capital expenditures for Lake
25 Sharon and Parkridge projects, and moving the Street Maintenance funds from the City's
26 portfolio to a separate portfolio as requested by the committee. She noted that the decrease in the
27 market value for the Operating fund was due to moving the Street Maintenance funds to a
28 separate portfolio. Chris noted that the decrease in the Debt Service Reserve funds was due to
29 the maturity of investments that were not reinvested due to the August 15th debt service payment.
30 She noted that the funds were in the pooled cash account so that they would be available for the
31 August payment. She noted that the decrease in the market value for the Bond funds is due to
32 the capital expenditures for Lake Sharon and the Parkridge projects. Chris noted that the
33 Average Yield to Maturity for the City's portfolio at 0.71 percent exceeds the six month treasury
34 bill rate which is 0.09 percent at the end of the quarter. The liquidity for the portfolio is fifty
35 percent. Council member Harrison asked what investment is earning the best and Chris
36 answered that the money market account was the best investment at this time. The Mayor asked
37 if it would be beneficial to invest in securities with a five year maturity. Lee Ann answered that
38 at this time our Investment Policy only allows us to purchase investments that mature in three
39 years or less. When rates start improving we could look at revising our Investment Policy, but
40 we would probably only want to invest two to three million for five years. We are currently
41 spending our bond funds and we need to make sure that we maintain liquidity. Council member
42 Harrison asked about the graph on page six and what the reserve is. Chris answered that it is the
43 Debt Service fund which is approximately 1.3 million. Lee Ann explained that the liquidity was
44 the portion of the portfolio that matures within thirty days, and the core portion of the portfolio is
45 that balance of the portfolio. Chris noted that the Operating, Debt Service Reserve, Special
46 Revenue, and the Bond portfolios are all below their Weighted Average Maturity (WAM)
47 benchmarks.

49 The Economic Development Corporation (EDC) portfolio has \$2.1 million in investments and
50 cash and the average yield to maturity is 0.66%. The liquidity for the portfolio is at sixty-five
51 percent.

52 The Street Maintenance Sales Tax portfolio was separated out from the City's Operating
53 portfolio in order to have it be more visible and to treat it the same as the other two sales tax
54 funds.

55

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

57

58 **Action: Mayor Ruggiere made a motion to approve the Third Quarter Investment report.**
59 **Council Member Harrison seconded the motion and it passed unanimously.**

60

61 III. REVIEW THE ECONOMIC OUTLOOK

62

63 Chris presented the Economic Outlook and noted that there has been no change in the Fed Funds
64 rate. She noted that the Fed Fund rate is expected to be remain the same until the middle of
65 2013.

66

67 IV. REVIEW THE THIRD QUARTER INTEREST INCOME ANALYSIS

68

69 Chris presented the analysis and explained that there isn't any change in the forecast for next
70 year.

71

72 V. OTHER ITEMS

73

74 The Committee's next meeting will be in November.

75

76 VI. ADJOURN

77

Section 2

City of Corinth
Annual Investment Report
September 2011

INVESTMENT REPORT



November 16, 2011

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 6, 2011, 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, 2011

Security Type	Par Value	Book Value	Market Value	% of Mkt to Book
U. S. Federal Agency-Coupon	\$ 5,779,000	\$ 5,846,248	\$ 5,866,553	100.35%
U.S. Federal Agency -Callable	2,150,000	2,150,507	2,152,997	100.12%
Managed Pools	5,272,555	5,272,555	5,272,555	100.00%
Money Market	4,776,342	4,776,342	4,776,342	0.00%
Bank Cash	2,470,135	2,470,135	2,470,135	100.00%
	<u>\$ 20,448,032</u>	<u>\$ 20,515,787</u>	<u>\$ 20,538,582</u>	<u>100.11%</u>

PORTFOLIO SUMMARY REPORT

Beginning Par Value as of 9/30/2010	\$ 25,669,721
Beginning Book Value as of 9/30/2010	\$ 25,891,778
Beginning Market Value as of 9/30/2010	\$ 25,944,413
WAM at Beginning Date (Days)	243
Ending Par Value as of 9/30/2011	\$ 20,448,032
Ending Book Value as of 9/30/2011	\$ 20,515,787
Ending Market Value as of 9/30/2011	\$ 20,538,582
WAM at Ending Date (Days)	174
Change to Market Value ⁽¹⁾	\$ (5,405,831)

⁽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.

Signature Redacted

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, 2011

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 9/30/2010	\$	9,578,416
Beginning Market Value as of 9/30/2010	\$	9,604,061
WAM at Beginning Date (Days)		206
Ending Book Value as of 9/30/2011	\$	10,416,037
Ending Market Value as of 9/30/2011	\$	10,426,031
Unrealized Gain/(Loss)	\$	9,994
Change to Market Value ⁽¹⁾	\$	821,970
WAM at Ending Date (Days)		123
WAM Policy Benchmark ≤		270

⁽¹⁾ General Fund and Utility Fund revenues exceeded the budget for the year and the funds were invested.

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 9/30/2010	\$	766,373
Beginning Market Value as of 9/30/2010	\$	759,914
WAM at Beginning Date (Days)		305
Ending Book Value as of 9/30/2011	\$	1,275,355
Ending Market Value as of 9/30/2011	\$	1,275,086
Unrealized Gain/(Loss)	\$	(270)
Change to Market Value ⁽²⁾	\$	515,172
WAM at Ending Date (Days)		250
WAM Policy Benchmark ≤		365

⁽²⁾ The 2010-11 budget included a transfer of \$750,000 from bond interest and those funds were invested this year.

Investment Strategies Compliance Report
For Period Ending September 30, 2011

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 9/30/2010	\$	15,195,635
Beginning Market Value as of 9/30/2010	\$	15,229,084
WAM at Beginning Date (Days)		268
Ending Book Value as of 9/30/2011	\$	7,501,913
Ending Market Value as of 9/30/2011	\$	7,514,529
Unrealized Gain/(Loss)	\$	12,616
Change to Market Value ⁽¹⁾	\$	(7,714,555)
WAM at Ending Date (Days)		230
WAM Policy Benchmark \leq		365

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

SPECIAL REVENUE FUNDS

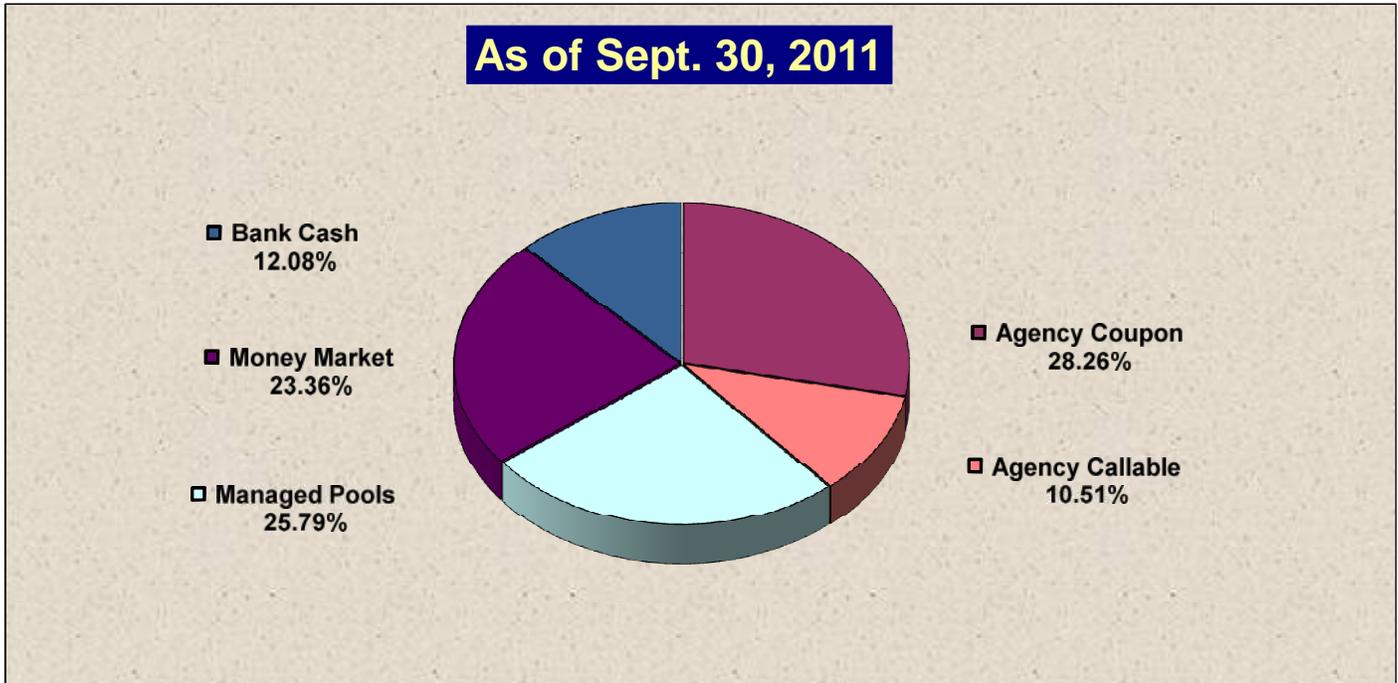
Investment strategies for construction projects or special revenue fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility 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 9/30/2010	\$	351,354
Beginning Market Value as of 9/30/2010	\$	351,354
WAM at Beginning Date (Days)		1
Ending Book Value as of 9/30/2011	\$	1,322,482
Ending Market Value as of 9/30/2011	\$	1,322,937
Unrealized Gain/(Loss)	\$	455
Change to Market Value ⁽²⁾	\$	971,583
WAM at Ending Date (Days)		190
WAM Policy Benchmark \leq		270

⁽²⁾ The increase in the Market Value is the receipt and investment of impact fee revenue during the year.

ANNUAL INVESTMENT REPORT
Portfolio Summary By Market Sector

Market Sector	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
U.S. Federal Agency -Coupon	\$ 6,965,000	\$ 6,565,000	\$ 5,720,000	\$ 5,779,000
U.S. Federal Agency-Callable	4,450,000	5,650,000	4,400,000	2,150,000
Certificates of Deposit	990,000	-	-	-
Managed Pools	4,357,987	4,460,278	4,881,804	5,272,555
Money Market	5,122,384	5,130,124	4,828,932	4,776,342
Bank Cash	1,245,423	1,773,036	1,870,823	2,470,135
Total Par Value:	\$ 23,130,794	\$ 23,578,438	\$ 21,701,559	\$ 20,448,032



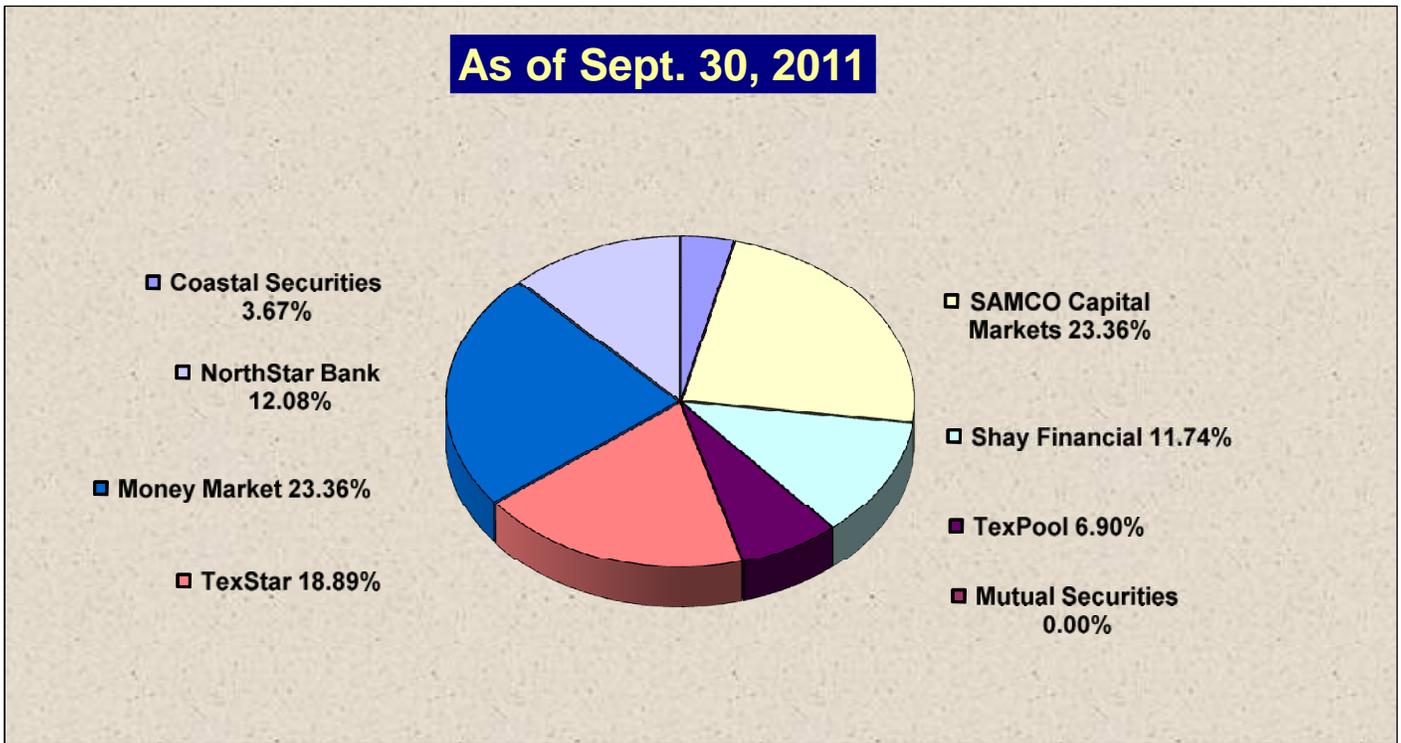
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income 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, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
Average Yield to Maturity		0.91%	0.77%	0.71%	0.61%
\geq Policy Benchmark-(Six Month T-Bill)		0.19%	0.15%	0.09%	0.037%
Callable Securities \leq	30.00%	19.24%	23.96%	20.28%	10.51%
Investment By Type \leq					
U.S. Treasuries	100.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies	100.00%	49.35%	51.80%	46.63%	38.77%
Certificates of Deposit	100.00%	4.28%	0.00%	0.00%	0.00%
Managed Pools	50.00%	18.84%	18.92%	22.50%	25.79%
Money Market	100.00%	22.15%	21.76%	22.25%	23.36%
Cash	100.00%	5.38%	7.52%	8.62%	12.08%

Note: The portfolio is below the benchmark for callable securities for the year. 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, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
Broker/Dealer				
Coastal Securities	\$ 1,750,000	\$ 2,200,000	\$ 2,300,000	\$ 750,000
Mutual Securities	-	750,000	750,000	-
SAMCO Capital Markets	6,315,000	6,865,000	4,670,000	4,779,000
Shay Financial	4,340,000	2,400,000	2,400,000	2,400,000
Total Broker/Dealer	\$ 12,405,000	\$ 12,215,000	\$ 10,120,000	\$ 7,929,000
Managed Pools/ Depository Bank				
TexPool	\$ 2,580,390	\$ 2,181,306	\$ 1,520,219	\$ 1,410,372
TexStar	1,777,597	2,278,972	3,361,586	3,862,183
Money Market	5,122,384	5,130,124	4,828,932	4,776,342
NorthStar Bank	1,245,423	1,773,036	1,870,823	2,470,135
Total Managed Pools/Depository Bank	\$ 10,725,794	\$ 11,363,438	\$ 11,581,560	\$ 12,519,032
Total Par Value:	\$ 23,130,794	\$ 23,578,438	\$ 21,701,560	\$ 20,448,032

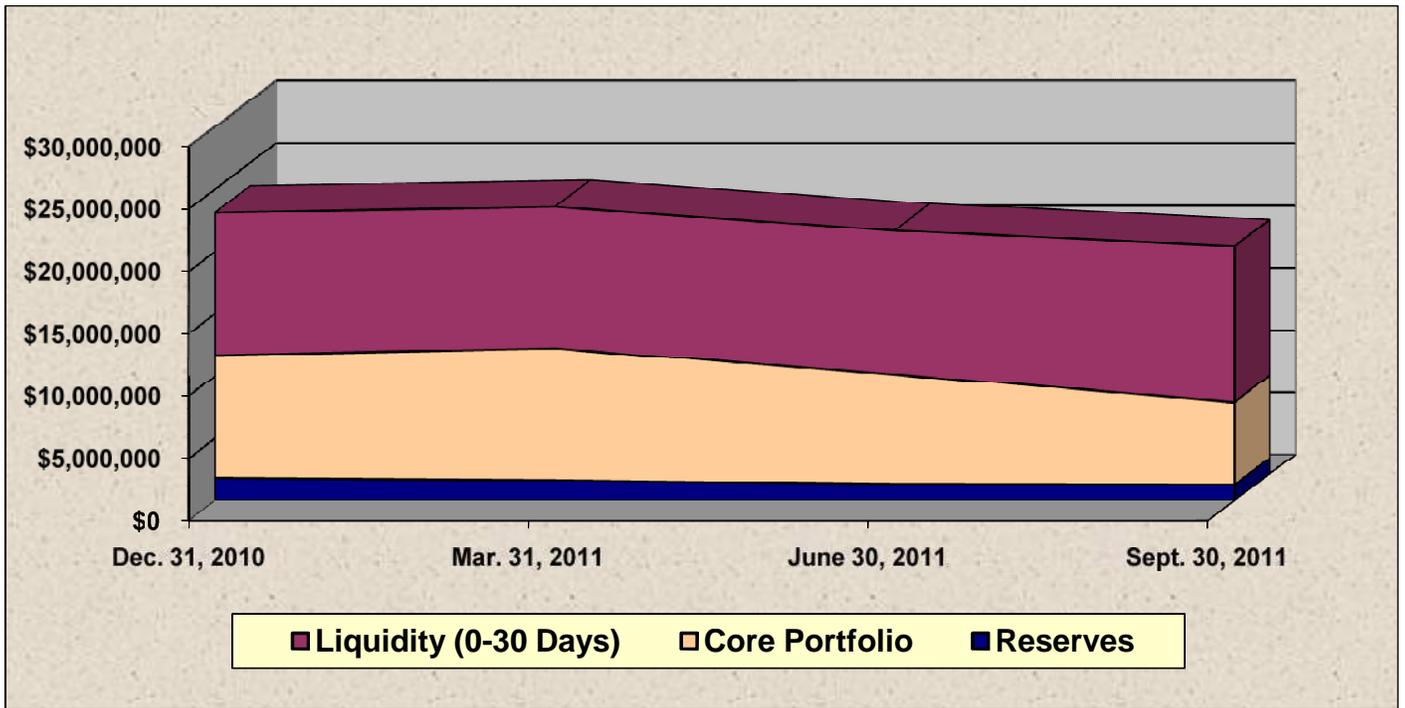


To guard against default possibilities, and to promote diversification of bidders, business with any one issuer, or investment broker, is limited to forty (40%) percent of the total portfolio at any point in time. As shown in the table below, the portfolio adhered to this provision throughout the quarter.

Performance Indicators	Policy Benchmark	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
Highest Broker Percent ≤	40.00%	27.30%	29.12%	21.52%	23.37%

ANNUAL INVESTMENT REPORT
Portfolio Summary By Maturity

Maturity Time Frame	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
0-30 Days	\$ 11,418,794	\$ 11,363,438	\$ 11,581,559	\$ 12,519,032
31-90 Days	1,697,000	845,000	500,000	-
91-180 Days	845,000	500,000	-	3,525,000
181-270 Days	500,000	-	3,525,000	100,000
271-360 Days	-	3,525,000	100,000	345,000
361-450 Days	3,525,000	100,000	345,000	250,000
451-540 Days	100,000	345,000	250,000	-
541 Days & Over	5,045,000	6,900,000	5,400,000	3,709,000
	\$ 23,130,794	\$ 23,578,438	\$ 21,701,559	\$ 20,448,032



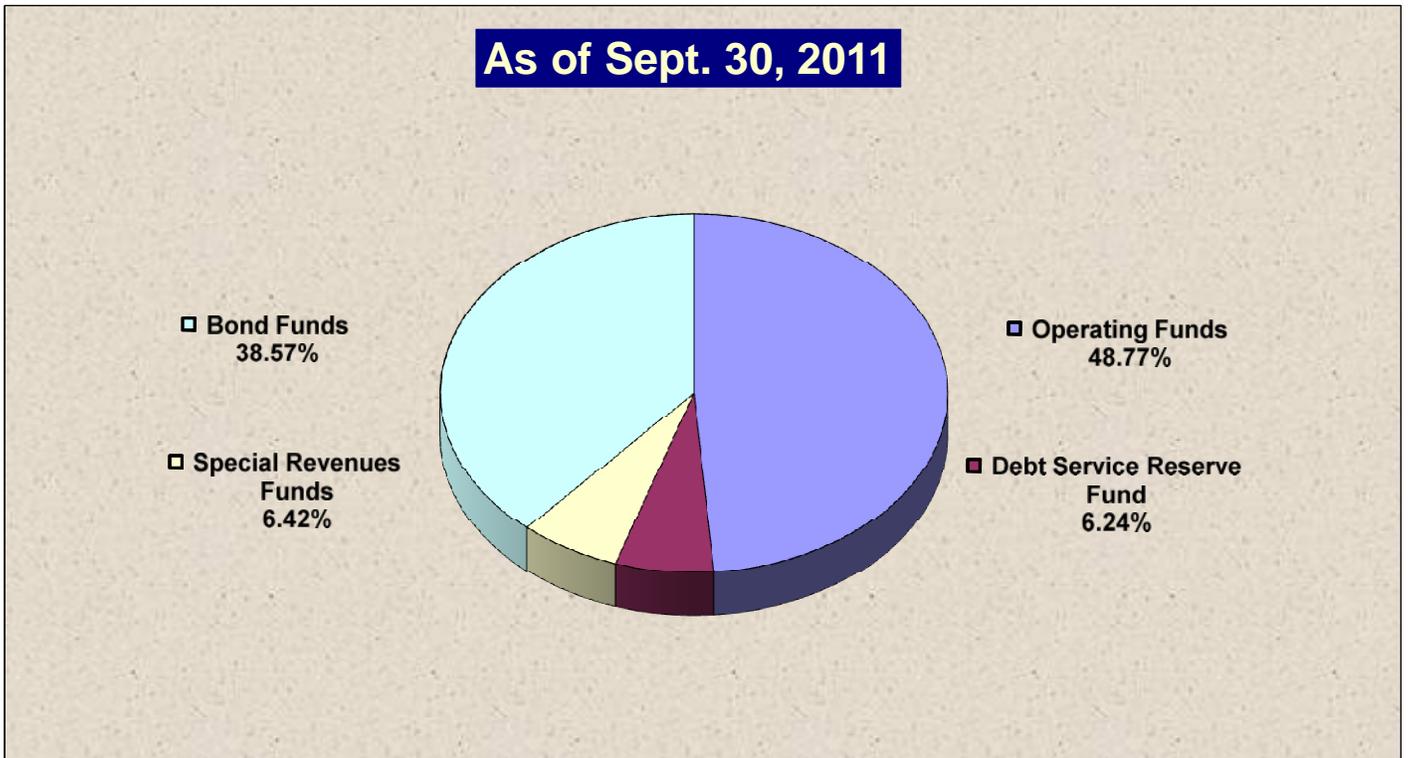
The risk of market price volatility is minimized through maturity diversification. The maturities on our investments are staggered over a series of three-month increments to provide cash flow based on the anticipated needs of the City. Liquidity is achieved by matching investment maturities with forecasted 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, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
Weighted Avg. Maturity ≤	365 Days	272	317	273	174
Maturities ≤30 days ≥	5.00%	49.37%	48.19%	53.37%	61.22%

Note: The portfolio is within the benchmark limits for the Weighted Average Maturity and liquidity is at 61% at the end of the fiscal year.

ANNUAL INVESTMENT REPORT
Portfolio Summary By Fund Type

Fund Type	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
Operating Funds	\$ 10,173,355	\$ 13,137,127	\$ 12,423,786	\$ 9,972,940
Debt Service Reserve Fund	1,791,535	1,622,901	1,328,782	1,275,005
Special Revenues Funds	451,891	552,423	552,961	1,312,505
Bond Funds	10,714,013	8,265,987	7,396,030	7,887,584
	<u>\$ 23,130,794</u>	<u>\$ 23,578,438</u>	<u>\$ 21,701,559</u>	<u>\$ 20,448,032</u>



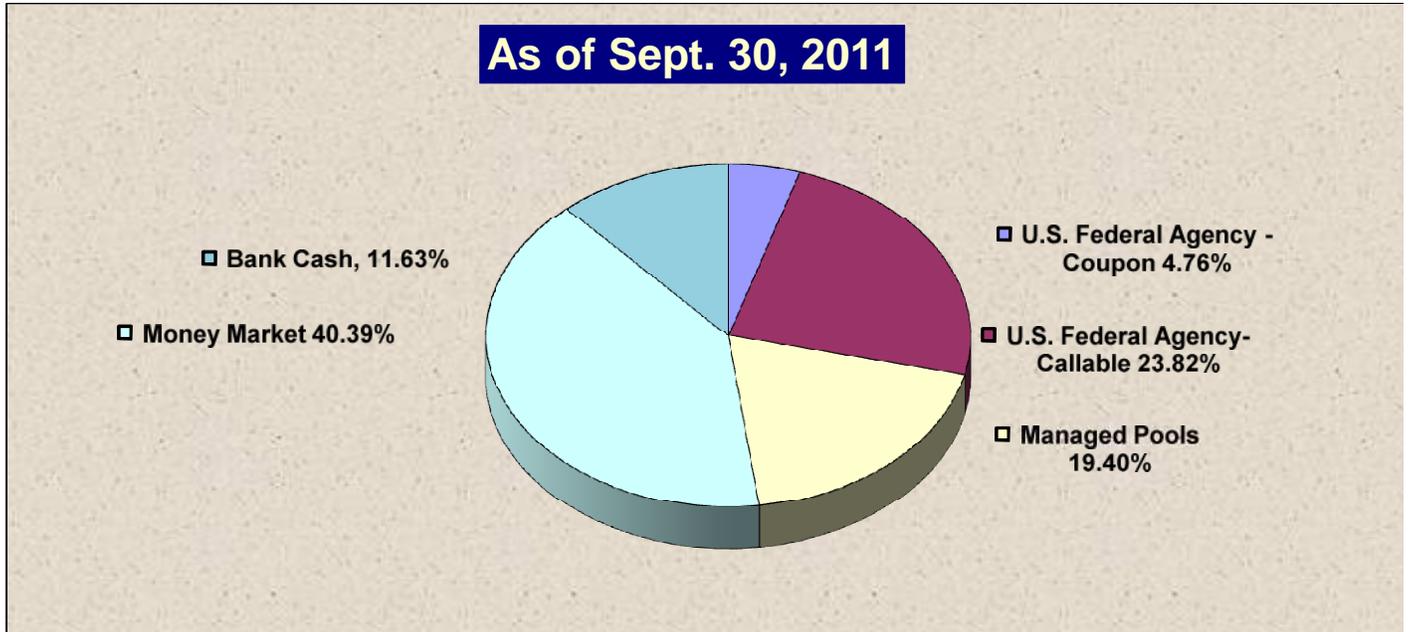
As shown in the graph above, the investments in the portfolio are distributed by fund type. Preservation and safety of principal of these investments is the most important strategy. All investments shall be high quality securities with no perceived default risk. Market fluctuations will occur; however,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

Performance Indicators	Policy	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
	Benchmark				
WAM by Fund ≤					
Operating Funds	270 Days	218	260	235	123
Debt Service Reserve Funds	365 Days	105	353	346	250
Special Revenue Funds	270 Days	237	243	210	190
Bond Funds	365 Days	353	405	330	230

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

ANNUAL INVESTMENT REPORT
Economic Development Corporation

Market Sector	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
U.S. Federal Agency -Coupon	\$ 715,000	\$ 450,000	\$ 250,000	\$ 100,000
U.S. Federal Agency-Callable	300,000	600,000	500,000	500,000
Managed Pools	331,891	407,038	407,131	407,214
Money Market	430,476	431,126	740,815	848,010
Bank Cash	270,294	229,380	267,604	244,273
Total Par Value:	\$ 2,047,661	\$ 2,117,544	\$ 2,165,550	\$ 2,099,497



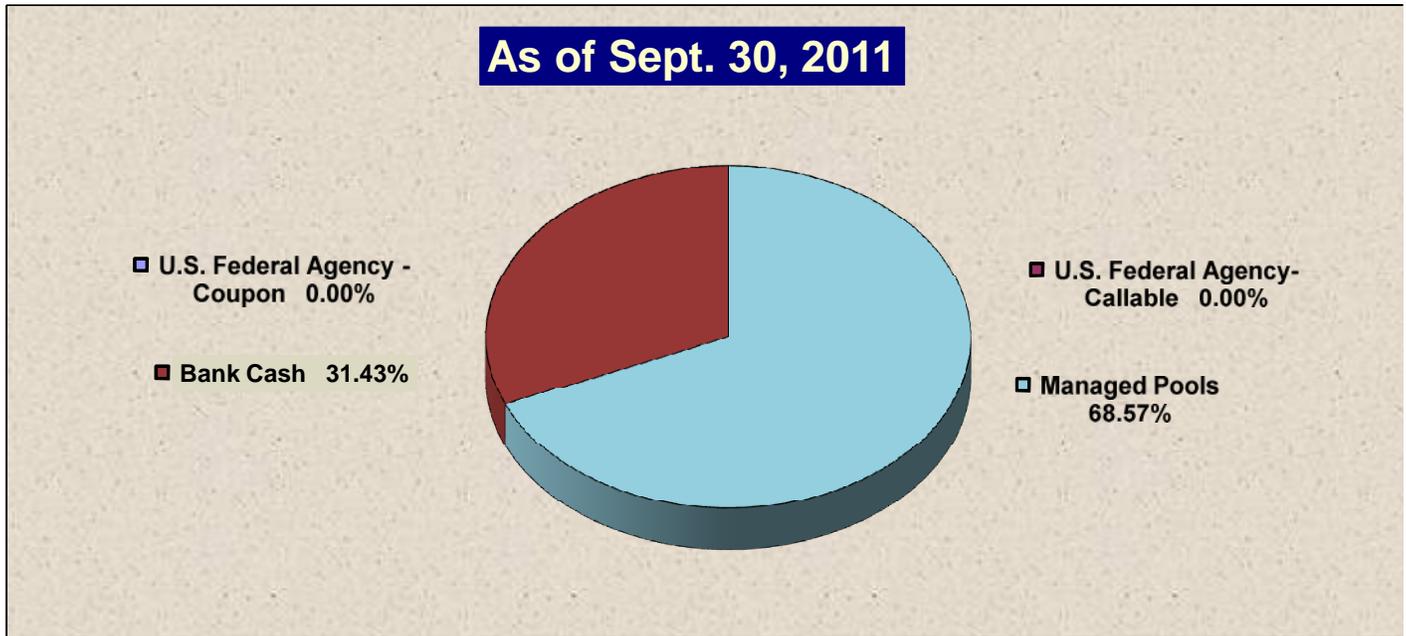
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income 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, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
Average Yield to Maturity		0.78%	0.77%	0.66%	0.52%
≥ Policy Benchmark-(Six Month T-Bill)		0.19%	0.15%	0.09%	0.04%
Callable Securities ≤	30.00%	14.65%	28.33%	23.09%	23.82%
Investment By Type ≤					
U.S. Treasuries	100.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies	100.00%	49.57%	49.59%	34.63%	28.58%
Managed Pools	100.00%	16.21%	19.22%	18.80%	19.40%
Money Market	100.00%	21.02%	20.36%	34.21%	40.39%
Cash	100.00%	13.20%	10.83%	12.36%	11.63%
Weighted Avg. Maturity ≤	270 Days	216	259	221	178
Maturities ≤30 days ≥	5.00%	50.43%	50.41%	65.37%	71.42%

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 71% at the end of the fiscal year.

ANNUAL INVESTMENT REPORT
Street Maintenance Sales Tax

Market Sector	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
U.S. Federal Agency -Coupon	\$ -	\$ -	\$ 200,000	\$ -
U.S. Federal Agency-Callable	-	-	-	-
Managed Pools	-	-	307,590	657,696
Bank Cash	-	-	383,541	301,440
Total Par Value:	\$ -	\$ -	\$ 891,131	\$ 959,136



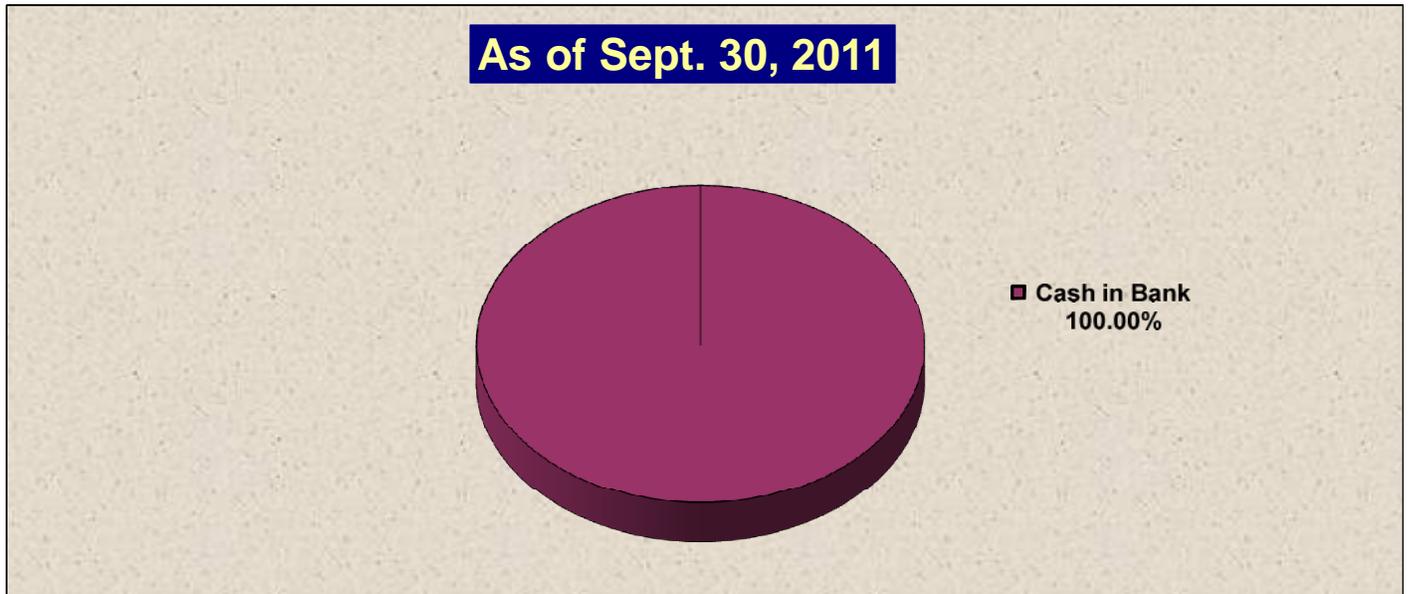
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income 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, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
Average Yield to Maturity		0.00%	0.00%	0.26%	0.22%
≥ Policy Benchmark-(Six Month T-Bill)		0.19%	0.15%	0.09%	0.04%
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%	22.44%	0.00%
Managed Pools	100.00%	0.00%	0.00%	34.52%	68.57%
Cash	100.00%	0.00%	0.00%	43.04%	31.43%
Weighted Avg. Maturity ≤	270 Days	0	0	201	1
Maturities ≤30 days ≥	5.00%	0.00%	0.00%	77.56%	100.00%

Note: The portfolio is within the policy benchmark for the Average Yield to Maturity for the fiscal year. During the first two quarters of the fiscal year, the investments were included with the City portfolio for reporting purposes, the investments were separated for the final two quarters of the fiscal year.

ANNUAL INVESTMENT REPORT
Crime Control & Prevention District

Market Sector	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
U.S. Federal Agency -Coupon Cash in Bank	\$ - 79,180	\$ - 54,666	\$ - 58,707	\$ - 63,586
Total Par Value:	\$ 79,180	\$ 54,666	\$ 58,707	\$ 63,586



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.

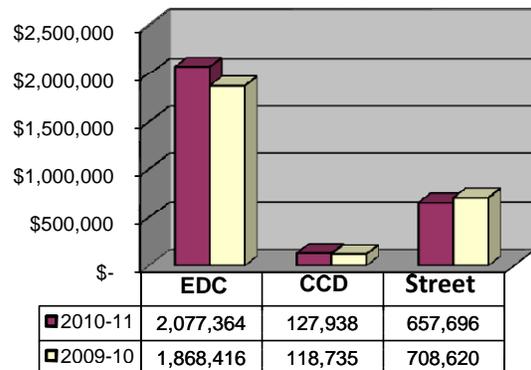
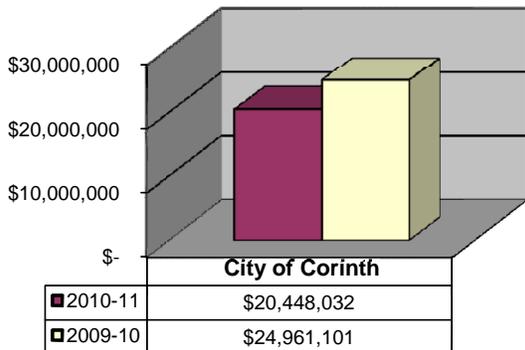
Performance Indicators	Policy Benchmark	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
Average Yield to Maturity		0.50%	0.50%	0.50%	0.50%
≥ Policy Benchmark-(Six Month T-Bill)		0.19%	0.15%	0.09%	0.04%
Callable Securities ≤	30.00%	0.00%	0.00%	0.00%	0.00%
Investment By Type ≤					
U.S. Treasuries	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 2010-11	Actual 2009-10	Variance
OPERATING FUNDS:			
100 General Fund	\$ 4,563,924	\$ 3,830,768	\$ 733,156
110 Water/Sewer Operations	2,412,076	1,657,396	754,680
120 Storm Water Utility Fund	526,804	375,931	150,873
Wachovia/Northstar Cash	2,470,135	2,895,041	(424,906)
	<u>\$ 9,972,939</u>	<u>\$ 8,759,136</u>	<u>\$ 1,213,803</u>
DEBT SERVICE RESERVE FUNDS:			
200 Debt Service	1,275,005	745,000	\$ 530,005
	<u>\$ 1,275,005</u>	<u>\$ 745,000</u>	<u>\$ 530,005</u>
SPECIAL PURPOSE FUNDS:			
310 Utility Vehicle Replacement	\$ 259,000	\$ -	\$ 259,000
610 Water/Sewer Impact Fees	250,000	-	250,000
611 Wastewater Impact Fees	150,000	-	150,000
620 Storm Drainage Impact Fees	-	-	-
630 Roadway Impact Fees	300,000	-	300,000.00
699 Capital Project Fund	353,505	351,354	2,151
	<u>\$ 1,312,505</u>	<u>\$ 351,354</u>	<u>\$ 961,151</u>
BOND FUNDS:			
703 Streets - 2007 C.O.	1,600,628	4,365,902	(2,765,274)
704 All Departmental - 2007 C.O.	0	100,000	(100,000)
705 Fire - 2010 C.O.	200,000	700,000	(500,000)
800 Water - 2007 C.O.	1,795,000	4,603,334	(2,808,334)
801 Wastewater - 2007 C.O.	3,841,948	4,569,555	(727,607)
802 Drainage - 2007 C.O.	450,008	766,819	(316,811)
	<u>\$ 7,887,584</u>	<u>\$ 15,105,610</u>	<u>\$ (7,218,027)</u>
	<u><u>\$ 20,448,032</u></u>	<u><u>\$ 24,961,101</u></u>	<u><u>\$ (4,513,069)</u></u>
OTHER FUNDS:			
130 Economic Development Corporation	\$ 2,077,364	\$ 1,868,416	\$ 208,948
131 Crime Control & Prevention District	127,938	118,735	9,203
132 Street Maintenance Sales Tax	657,696	708,620	(50,924)
	<u>\$ 785,634</u>	<u>\$ 827,355</u>	<u>\$ (41,721)</u>

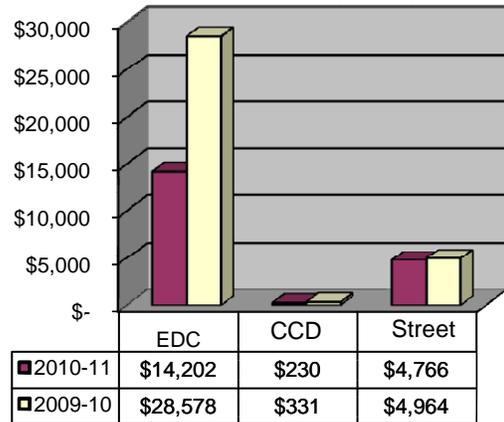
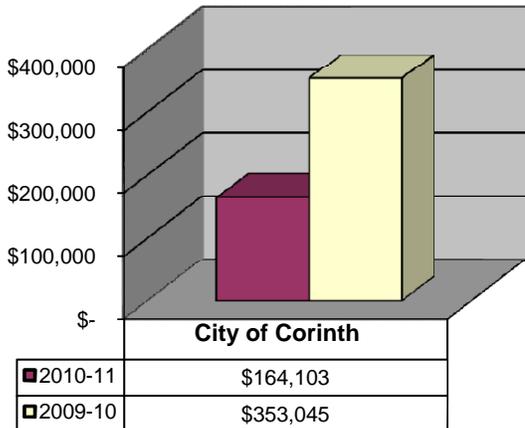
INVESTED BALANCE COMPARISON



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

Fund	Name	Actual 2010-11	Actual 2009-10	Variance
OPERATING FUNDS:				
100	General Fund	\$ 63,077	\$ 126,100	\$ (63,023)
110	Water/Sewer Operations	17,968	26,486	(8,519)
120	Storm Water Utility Fund	2,851	1,308	1,543
		<u>\$ 83,896</u>	<u>\$ 153,894</u>	<u>\$ (69,998)</u>
RESERVE FUNDS:				
200	Debt Service	\$ 10,444	\$ 12,880	\$ (2,437)
		<u>\$ 10,444</u>	<u>\$ 12,880</u>	<u>\$ (2,437)</u>
SPECIAL PURPOSE FUNDS:				
310	Utility Vehicle Replacement	\$ 2,081	\$ 111	\$ 1,969
610	Water/Sewer Impact Fees	1,039	1,576	(536)
611	Wastewater Impact Fees	715	174	542
620	Storm Drainage Impact Fees	318	225	92
630	Roadway Impact Fees	<u>\$ 1,190</u>	<u>\$ 332</u>	<u>\$ 858</u>
		<u>\$ 5,343</u>	<u>\$ 2,418</u>	<u>\$ 2,925</u>
BOND FUNDS:				
703	Streets - 2007 C.O.	10,482	55,344	(44,862)
704	All Departmental - 2007 C.O.	1,363	1,343	20
705	Fire - 2010 C.O.	1,678	648	1,029
800	Water - 2007 C.O.	26,475	60,891	(34,416)
801	Wastewater - 2007 C.O.	23,250	49,702	(26,453)
802	Drainage - 2007 C.O.	<u>1,173</u>	<u>15,924</u>	<u>(14,751)</u>
		<u>\$ 64,421</u>	<u>\$ 183,853</u>	<u>\$ (119,432)</u>
		<u>\$ 164,103</u>	<u>\$ 353,045</u>	<u>\$ (188,942)</u>
OTHER FUNDS:				
130	Economic Development Corporation	14,202	28,578	(14,376)
131	Crime Control & Prevention District	\$ 230	\$ 331	\$ (100)
132	Street Maintenance Sales Tax	4,766	4,964	(198)
		<u>\$ 18,968</u>	<u>\$ 33,542</u>	<u>\$ (14,574)</u>

INTEREST EARNINGS COMPARISON



City of Corinth, Texas

ANNUAL INVESTMENT REPORT

For Fiscal Year Ended September 30, 2011



APPENDIX A

**Investment Report
For Month Ending September 30, 2011**



City of Corinth portfolio
Texas Compliance Change In Value Report
Sorted by Fund
October 1, 2010 - September 30, 2011

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

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
Fund: Pooled Cash									
10012	NTHSTR	00	10/01/2010	10,715.82	0.00	2,895,041.57	0.00	-424,906.34	2,470,135.23
SYS10012	2,470,135.23	0.500	/ /	0.00	0.00	2,895,041.57	0.00	-424,906.34	2,470,135.23
10061	WACHVA	00	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00
SYS10024	0.00	0.000	/ /	0.00	0.00	0.00	0.00	0.00	0.00
Sub Totals For: Fund: Pooled Cash				10,715.82	0.00	2,895,041.57	0.00	-424,906.34	2,470,135.23
				0.00	0.00	2,895,041.57	0.00	-424,906.34	2,470,135.23
Fund: General Fund									
10335	FHLB	100	01/15/2010	51,250.00	1,080,852.65	0.00	0.00	-38,816.51	1,042,036.14
3133XJLT3	1,025,000.00	1.154	03/09/2012	51,250.00	1,088,990.75	0.00	0.00	-43,900.75	1,045,090.00
10376	FHLB	100	09/01/2010	65.22	100,061.14	0.00	100,000.00	-61.14	0.00
31337OEC8	0.00	0.000	08/02/2013	126.35	100,064.00	0.00	100,000.00	-64.00	0.00
10393	FHLB	100	03/30/2011	4,525.00	0.00	750,000.00	0.00	0.00	750,000.00
313372KH2	750,000.00	1.200	09/30/2013	4,500.00	0.00	750,000.00	0.00	2,242.50	752,242.50
10013	TXSTAR	100	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00
SYS10013	0.00	0.000	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10016	TXSTAR	100	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00
SYS10016	0.00	0.000	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10022	FEDER	100	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00
SYS10022	0.00	0.000	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10140	TXSTAR	100	10/01/2010	756.31	0.00	27,296.14	0.00	574,685.52	601,981.66
SYS10140	601,981.66	0.091	/ /	714.50	0.00	27,296.14	0.00	574,685.52	601,981.66

Portfolio CITY

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2010 - September 30, 2011

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value	
10327	NTHSTR	100	10/01/2010	14,922.04	0.00	137,471.57	0.00	1,964,470.51	2,101,942.08	
SYS10327	2,101,942.08	0.613	/ /	14,377.03	0.00	137,471.57	0.00	1,964,470.51	2,101,942.08	
Sub Totals For: Fund: General Fund					71,518.57	1,180,913.79	914,767.71	100,000.00	2,500,278.38	4,495,959.88
					70,967.88	1,189,054.75	914,767.71	100,000.00	2,497,433.78	4,501,256.24
Fund: Utility Fund										
10348	FHLB	110	02/02/2010	12,187.50	267,492.87	0.00	0.00	-7,941.28	259,551.59	
3133XDTE7	250,000.00	2.039	12/14/2012	12,187.50	271,910.00	0.00	0.00	-8,405.00	263,505.00	
10359	FNMA	110	06/14/2010	3,865.28	400,000.00	0.00	400,000.00	0.00	0.00	
3136FMWTT	0.00	0.000	12/14/2012	5,500.00	402,052.00	0.00	400,000.00	-2,052.00	0.00	
10417	FHLMC	110	09/30/2011	9.17	0.00	600,000.00	0.00	0.00	600,000.00	
3134G2L34	600,000.00	0.550	09/30/2013	0.00	0.00	600,000.00	0.00	510.00	600,510.00	
10018	TXPOOL	110	10/01/2010	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	
10023	FEDER	110	10/01/2010	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	110	10/01/2010	624.38	0.00	106,168.57	0.00	1,200,538.51	1,306,707.08	
SYS10211	1,306,707.08	0.091	/ /	538.51	0.00	106,168.57	0.00	1,200,538.51	1,306,707.08	
10368	NTHSTR	110	10/01/2010	3,923.29	0.00	51,227.67	0.00	704,755.63	755,983.30	
SYS10368	755,983.30	0.613	/ /	4,141.44	0.00	51,227.67	0.00	704,755.63	755,983.30	
Sub Totals For: Fund: Utility Fund					20,609.62	667,492.87	757,396.24	400,000.00	1,897,352.86	2,922,241.97
					22,367.45	673,962.00	757,396.24	400,000.00	1,895,347.14	2,926,705.38
Fund: Drainage Fund										
10373	FHLB	120	09/01/2010	4,500.00	104,976.12	0.00	0.00	-4,080.69	100,895.43	
3133X9Z26	100,000.00	1.072	01/06/2012	3,812.50	105,185.00	0.00	0.00	-4,055.00	101,130.00	
10302	TXSTAR	120	10/01/2010	422.56	0.00	150,356.83	0.00	276,447.53	426,804.36	
SYS10302	426,804.36	0.091	/ /	418.55	0.00	150,356.83	0.00	276,447.53	426,804.36	

Portfolio CITY

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2010 - September 30, 2011

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10332	NTHSTR	120	10/01/2010	590.26	0.00	125,574.55	0.00	-125,574.55	0.00
SVS10332	0.00	0.613	/ /	454.43	0.00	125,574.55	0.00	-125,574.55	0.00
Sub Totals For: Fund: Drainage Fund					5,512.82	104,976.12	275,931.38	0.00	146,792.29
					4,685.48	105,185.00	275,931.38	0.00	527,934.36
Fund: Economic Development									
10372	FHLB	130	09/01/2010	4,500.00	104,976.12	0.00	0.00	-4,080.69	100,895.43
3133X9Z26	100,000.00	1.072	01/06/2012	3,812.50	105,185.00	0.00	0.00	-4,055.00	101,130.00
10363	FHLB	130	08/05/2010	195.64	300,018.34	0.00	300,000.00	-18.34	0.00
31337OEC8	0.00	0.000	08/02/2013	544.12	300,192.00	0.00	300,000.00	-192.00	0.00
10413	FCGB	130	09/27/2011	22.22	0.00	500,000.00	0.00	5.56	500,005.56
31331KZS2	500,000.00	0.400	09/26/2013	0.00	0.00	500,000.00	0.00	-450.00	499,550.00
10007	TXPOOL	130	10/01/2010	541.04	0.00	631,592.54	0.00	-224,378.32	407,214.22
SVS10007	407,214.22	0.093	/ /	621.68	0.00	631,592.54	0.00	-224,378.32	407,214.22
10009	TXPOOL	130	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00
SVS100099	0.00	0.000	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10021	NTHSTR	130	10/01/2010	2,237.85	0.00	222,139.74	0.00	22,133.30	244,273.04
SVS10021	244,273.04	0.900	/ /	0.00	0.00	222,139.74	0.00	22,133.30	244,273.04
10072	WACHVA	130	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00
SVS10072	0.00	0.000	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10379	NTHSTR	130	10/29/2010	3,537.47	0.00	50,000.00	0.00	798,009.60	848,009.60
SVS10379	848,009.60	0.613	/ /	3,134.60	0.00	50,000.00	0.00	798,009.60	848,009.60
Sub Totals For: Fund: Economic Development					11,034.22	404,994.46	1,403,732.28	300,000.00	591,671.11
					8,112.90	405,377.00	1,403,732.28	300,000.00	2,100,176.86
Fund: Crime Control & Prevention									
10077	WACHVA	131	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00
SVS10072	0.00	0.000	/ /	0.00	0.00	0.00	0.00	0.00	0.00

Portfolio CITY

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2010 - September 30, 2011

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10323	NTHSTR	131	10/01/2010	371.91	0.00	127,937.66	0.00	-64,351.51	63,586.15
SVS10322	63,586.15	0.500	/ /	0.00	0.00	127,937.66	0.00	-64,351.51	63,586.15
Sub Totals For: Fund: Crime Control & Prevention									
				371.91	0.00	127,937.66	0.00	-64,351.51	63,586.15
				0.00	0.00	127,937.66	0.00	-64,351.51	63,586.15
Fund: Street Maintenance Sales Tax									
10361	FHLB	132	08/05/2010	65.22	100,006.11	0.00	100,000.00	-6.11	0.00
31337OEC8	0.00	0.000	08/02/2013	181.38	100,064.00	0.00	100,000.00	-64.00	0.00
10366	FHLB	132	08/30/2010	332.83	100,000.00	0.00	100,000.00	0.00	0.00
31337OSQ2	0.00	0.000	08/28/2013	372.22	100,110.00	0.00	100,000.00	-110.00	0.00
10155	TXSTAR	132	10/01/2010	409.18	0.00	107,314.71	0.00	550,381.19	657,695.90
SVS10155	657,695.90	0.091	/ /	381.19	0.00	107,314.71	0.00	550,381.19	657,695.90
10331	NTHSTR	132	10/01/2010	473.70	0.00	301,305.45	0.00	-301,305.45	0.00
SVS10331	0.00	0.613	/ /	460.26	0.00	301,305.45	0.00	-301,305.45	0.00
10401	NTHSTR	132	04/01/2011	872.92	0.00	257,333.50	0.00	44,106.51	301,440.01
SVS10042	301,440.01	0.500	/ /	0.00	0.00	257,333.50	0.00	44,106.51	301,440.01
Sub Totals For: Fund: Street Maintenance Sales Tax									
				2,153.85	200,006.11	665,953.66	200,000.00	293,176.14	959,135.91
				1,395.05	200,174.00	665,953.66	200,000.00	293,008.25	959,135.91
Fund: General Debt Service									
10377	FHLB	200	09/01/2010	65.22	100,061.14	0.00	100,000.00	-61.14	0.00
31337OEC8	0.00	0.000	08/02/2013	126.35	100,064.00	0.00	100,000.00	-64.00	0.00
10411	FNMA	200	09/13/2011	112.50	0.00	450,315.00	0.00	35.80	450,350.80
313560CW1	450,000.00	0.464	09/06/2013	0.00	0.00	450,315.00	0.00	-234.00	450,081.00
10017	TXSTAR	200	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00
SVS10017	0.00	5.288	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10328	NTHSTR	200	10/01/2010	5,081.56	0.00	150,000.00	0.00	675,004.53	825,004.53
SVS10328	825,004.53	0.613	/ /	4,737.91	0.00	150,000.00	0.00	675,004.53	825,004.53

Portfolio CITY

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2010 - September 30, 2011

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value	
Sub Totals For: Fund: General Debt Service					5,259.28	100,061.14	600,315.00	100,000.00	674,979.19	1,275,355.33
					4,864.26	100,064.00	600,315.00	100,000.00	674,706.53	1,275,085.53
Fund: Utility Vehicle & Equip										
10392	FHLB	310	03/31/2011	754.17	0.00	100,012.80	0.00	-6.44	100,006.36	
3133XV2M2	100,000.00	1.487	03/30/2012	750.00	0.00	100,012.80	0.00	506.20	100,519.00	
10414	FNMA	310	09/27/2011	19.87	0.00	161,413.62	0.00	826.51	162,240.13	
31398A4H2	159,000.00	0.374	10/08/2013	0.00	0.00	161,413.62	0.00	-823.62	160,590.00	
Sub Totals For: Fund: Utility Vehicle & Equip					774.04	0.00	261,426.42	0.00	820.07	262,246.49
					750.00	0.00	261,426.42	0.00	-317.42	261,109.00
Fund: Water Impact Fees										
10408	FHLB	610	09/10/2011	473.96	0.00	252,697.82	0.00	-293.93	252,403.89	
3133XPCS1	250,000.00	1.068	03/09/2012	0.00	0.00	252,697.82	0.00	274.68	252,972.50	
10014	TXSTAR	610	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00	
SVS10014	0.00	0.000	/ /	0.00	0.00	0.00	0.00	0.00	0.00	
10052	TXSTAR	610	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00	
SVS10013	0.00	0.210	/ /	0.00	0.00	0.00	0.00	0.00	0.00	
Sub Totals For: Fund: Water Impact Fees					473.96	0.00	252,697.82	0.00	-293.93	252,403.89
					0.00	0.00	252,697.82	0.00	274.68	252,972.50
Fund: Wastewater Impact Fees										
10409	FHLB	611	09/10/2011	284.38	0.00	151,618.69	0.00	-176.36	151,442.33	
3133XPCS1	150,000.00	1.068	03/09/2012	0.00	0.00	151,618.69	0.00	164.81	151,783.50	
10315	TXSTAR	611	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00	
SVS10315	0.00	0.210	/ /	0.00	0.00	0.00	0.00	0.00	0.00	
Sub Totals For: Fund: Wastewater Impact Fees					284.38	0.00	151,618.69	0.00	-176.36	151,442.33
					0.00	0.00	151,618.69	0.00	164.81	151,783.50

Portfolio CITY

**City of Corinth portfolio
Texas Compliance Change in Value Report
October 1, 2010 - September 30, 2011**

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10410	FHLB	630	09/10/2011	568.75	0.00	303,237.38	0.00	-362.72	302,884.66
3133XPC51	300,000.00	1.068	03/09/2012	0.00	0.00	303,237.38	0.00	329.62	303,567.00
10301	TXSTAR	630	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00
SYS10301	0.00	0.210	/ /	0.00	0.00	0.00	0.00	0.00	0.00
Sub Totals For: Fund: Roadway Impact Fees				568.75	0.00	303,237.38	0.00	-362.72	302,884.66
				0.00	0.00	303,237.38	0.00	329.62	303,567.00
Fund: Street Escrow									
10019	TXPOOL	699	10/01/2010	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
10329	NTHSTR	699	10/01/2010	2,161.17	0.00	351,354.18	0.00	2,150.73	353,504.91
SYS10329	353,504.91	0.613	/ /	2,150.73	0.00	351,354.18	0.00	2,150.73	353,504.91
Sub Totals For: Fund: Street Escrow				2,161.17	0.00	351,354.18	0.00	2,150.73	353,504.91
				2,150.73	0.00	351,354.18	0.00	2,150.73	353,504.91
Fund: Street 2007 CO									
10342	FICB	703	01/21/2010	6,666.67	1,013,407.26	0.00	1,009,954.75	-3,452.51	0.00
31331GKY4	0.00	0.000	01/17/2012	10,777.78	1,020,840.00	0.00	1,009,954.75	-10,885.25	0.00
10356	FHLB	703	05/13/2010	1,510.00	300,000.00	0.00	300,000.00	0.00	0.00
3133XYG25	0.00	0.000	11/13/2012	3,246.50	301,908.00	0.00	300,000.00	-1,908.00	0.00
10360	FNMA	703	06/14/2010	2,406.25	350,000.00	0.00	350,000.00	0.00	0.00
3136FMWTT	0.00	0.000	12/14/2012	3,836.63	351,795.50	0.00	350,000.00	-1,795.50	0.00
10368	FHLB	703	08/30/2010	795.04	500,000.00	0.00	500,000.00	0.00	0.00
31337OSQ2	0.00	0.000	08/28/2013	1,053.37	500,550.00	0.00	500,000.00	-550.00	0.00
10416	FNMA	703	09/27/2011	25.00	0.00	203,036.00	0.00	1,039.64	204,075.64
31398A4H2	200,000.00	0.374	10/08/2013	0.00	0.00	203,036.00	0.00	-1,036.00	202,000.00
10064	TXPOOL	703	10/01/2010	205.69	0.00	861,123.59	0.00	-361,117.69	500,005.90
SYS10009	500,005.90	0.093	/ /	330.82	0.00	861,123.59	0.00	-361,117.69	500,005.90

Portfolio CITY

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2010 - September 30, 2011

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value	
10138	TXSTAR	703	10/01/2010	228.08	0.00	310,020.25	0.00	89,987.76	400,008.01	
SVS10138	400,008.01	0.091	/ /	272.95	0.00	310,020.25	0.00	89,987.76	400,008.01	
10330	NTHSTR	703	10/01/2010	311.55	0.00	744,758.10	0.00	-744,758.10	0.00	
SVS10330	0.00	0.612	/ /	406.17	0.00	744,758.10	0.00	-744,758.10	0.00	
Sub Totals For: Fund: Street 2007 CO					12,148.28	2,163,407.26	2,118,937.94	2,159,954.75	-1,018,300.90	1,104,089.55
Fund: Tech 2007 CO					19,924.22	2,175,093.50	2,118,937.94	2,159,954.75	-1,032,062.78	1,102,013.91
10367	FHLB	704	05/13/2010	931.17	100,000.00	0.00	100,000.00	0.00	0.00	
3133XYG25	0.00	0.000	11/13/2012	1,510.00	100,636.00	0.00	100,000.00	-636.00	0.00	
10065	TXPOOL	704	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00	
SVS100099	0.00	2.246	/ /	0.00	0.00	0.00	0.00	0.00	0.00	
10139	TXSTAR	704	10/01/2010	0.00	0.00	0.00	0.00	0.00	0.00	
SVS10139	0.00	0.145	/ /	0.00	0.00	0.00	0.00	0.00	0.00	
10380	NTHSTR	704	10/12/2010	349.85	0.00	425,000.00	0.00	-425,000.00	0.00	
SVS10380	0.00	0.613	/ /	202.54	0.00	425,000.00	0.00	-425,000.00	0.00	
Sub Totals For: Fund: Tech 2007 CO					1,281.02	100,000.00	425,000.00	100,000.00	-425,000.00	0.00
Fund: Fire 2010 CO					1,712.54	100,636.00	425,000.00	100,000.00	-425,636.00	0.00
10412	FNMA	705	09/13/2011	50.00	0.00	200,140.00	0.00	15.91	200,155.91	
3135G0CW1	200,000.00	0.464	09/06/2013	0.00	0.00	200,140.00	0.00	-104.00	200,036.00	
10370	NTHSTR	705	10/01/2010	499.89	0.00	700,000.00	0.00	-615,000.00	85,000.00	
SVS10370	85,000.00	0.613	/ /	675.59	0.00	700,000.00	0.00	-615,000.00	85,000.00	
Sub Totals For: Fund: Fire 2010 CO					549.89	0.00	900,140.00	0.00	-614,984.09	285,155.91
Fund: Water 2007 CO					675.59	0.00	900,140.00	0.00	-615,104.00	285,036.00

Portfolio CITY

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2010 - September 30, 2011

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value	
10402	FCGB	800	06/30/2011	1,516.66	0.00	301,700.36	0.00	-765.45	300,914.91	
31331GKY4	300,000.00	0.959	01/17/2012	283.33	0.00	301,700.36	0.00	-1,196.36	300,504.00	
10339	FHLB	800	01/21/2010	42,845.83	1,443,719.74	0.00	1,415,107.79	-28,611.95	0.00	
3133XPCS1	0.00	0.000	03/09/2012	45,626.39	1,455,538.00	0.00	1,415,107.79	-40,430.21	0.00	
10407	FHLB	800	09/10/2011	1,327.09	0.00	707,553.90	0.00	-823.02	706,730.88	
3133XPCS1	700,000.00	1.068	03/09/2012	0.00	0.00	707,553.90	0.00	769.10	708,323.00	
10316	FHLB	800	10/28/2009	745.83	100,019.16	0.00	100,012.80	-6.36	0.00	
3133XV2M2	0.00	0.000	03/30/2012	750.00	101,570.00	0.00	100,012.80	-1,557.20	0.00	
10369	FHLB	800	07/01/2010	15,525.00	369,299.38	0.00	0.00	-12,443.50	356,855.88	
3133XCTG8	345,000.00	0.851	09/14/2012	15,525.00	370,978.50	0.00	0.00	-12,095.70	358,882.80	
10366	FHLB	800	08/30/2010	832.08	250,000.00	0.00	250,000.00	0.00	0.00	
31337OSQ2	0.00	0.000	08/28/2013	930.56	250,275.00	0.00	250,000.00	-275.00	0.00	
10394	FHLB	800	03/15/2011	2,940.00	0.00	450,000.00	0.00	0.00	450,000.00	
313372VR2	450,000.00	1.200	12/30/2013	1,575.00	0.00	450,000.00	0.00	6,529.50	456,529.50	
10066	TXPOOL	800	10/01/2010	1,091.24	0.00	983,888.55	0.00	-983,888.55	0.00	
SVS10009	0.00	0.085	/ /	1,271.81	0.00	983,888.55	0.00	-983,888.55	0.00	
10135	TXSTAR	800	10/01/2010	64.03	0.00	175,197.83	0.00	-175,197.83	0.00	
SVS10135	0.00	0.188	/ /	56.91	0.00	175,197.83	0.00	-175,197.83	0.00	
10333	NTHSTR	800	10/01/2010	1,026.63	0.00	1,250,247.89	0.00	-1,250,247.89	0.00	
SVS10333	0.00	0.613	/ /	764.31	0.00	1,250,247.89	0.00	-1,250,247.89	0.00	
Sub Totals For: Fund: Water 2007 CO					67,914.39	2,163,038.28	3,868,588.53	1,765,120.59	-2,452,004.55	1,814,501.67
Fund: Wastewater 2007 CO					66,783.31	2,178,361.50	3,868,588.53	1,765,120.59	-2,457,590.14	1,824,239.30
10403	FCGB	801	06/30/2011	3,538.89	0.00	703,967.52	0.00	-1,832.71	702,134.81	
31331GKY4	700,000.00	0.959	01/17/2012	661.11	0.00	703,967.52	0.00	-2,791.52	701,176.00	

Portfolio CITY

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2010 - September 30, 2011

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value	Market Value	Market Value	Market Value	Market Value
10365	FHLB	801	05/13/2010	5,587.00	600,000.00	0.00	600,000.00	0.00	0.00
3133XYG25	0.00	0.000	11/13/2012	9,060.00	603,816.00	0.00	600,000.00	-3,816.00	0.00
10378	FHLB	801	09/01/2010	195.64	300,183.41	0.00	300,000.00	-183.41	0.00
31337OEC8	0.00	0.000	08/02/2013	379.05	300,192.00	0.00	300,000.00	-192.00	0.00
10367	FHLB	801	08/30/2010	499.25	150,000.00	0.00	150,000.00	0.00	0.00
31337OSQ2	0.00	0.000	08/28/2013	562.50	150,165.00	0.00	150,000.00	-165.00	0.00
10415	FNMA	801	09/27/2011	25.00	0.00	203,036.00	0.00	1,039.64	204,075.64
31398A4H2	200,000.00	0.374	10/08/2013	0.00	0.00	203,036.00	0.00	-1,036.00	202,000.00
10395	FHLB	801	03/15/2011	3,593.33	0.00	550,000.00	0.00	0.00	550,000.00
313372VR2	550,000.00	1.200	12/30/2013	1,925.00	0.00	550,000.00	0.00	7,980.50	557,980.50
10067	TXPOOL	801	10/01/2010	1,274.21	0.00	983,956.01	0.00	-73,589.58	910,366.43
SYS10009	910,366.43	0.093	/ /	1,410.42	0.00	983,956.01	0.00	-73,589.58	910,366.43
10136	TXSTAR	801	10/01/2010	1,079.18	0.00	1,983,109.97	0.00	-1,156,435.72	826,674.25
SYS10136	826,674.25	0.091	/ /	1,387.36	0.00	1,983,109.97	0.00	-1,156,435.72	826,674.25
10334	NTHSTR	801	10/01/2010	2,699.00	0.00	402,488.65	0.00	252,418.30	654,906.95
SYS10334	654,906.95	0.613	/ /	2,418.30	0.00	402,488.65	0.00	252,418.30	654,906.95
Sub Totals For: Fund: Wastewater 2007 CO									
				18,491.50	1,050,183.41	4,826,558.15	1,050,000.00	-978,583.48	3,848,158.08
				17,803.74	1,054,173.00	4,826,558.15	1,050,000.00	-977,627.02	3,853,104.13
Fund: Drainage 2007 CO									
10364	FHLB	802	08/05/2010	65.22	100,006.11	0.00	100,000.00	-6.11	0.00
31337OEC8	0.00	0.000	08/02/2013	181.38	100,064.00	0.00	100,000.00	-64.00	0.00
10418	FHLMC	802	09/30/2011	2.29	0.00	150,000.00	0.00	0.00	150,000.00
3134G2L34	150,000.00	0.550	09/30/2013	0.00	0.00	150,000.00	0.00	127.50	150,127.50
10068	TXPOOL	802	10/01/2010	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

Portfolio CITY

City of Corinth portfolio
 Texas Compliance Change in Value Report
 October 1, 2010 - September 30, 2011

Inv #	Issuer	Fund	Purch Date	Interest Accrual	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10137	TXSTAR	802	10/01/2010	127.42	0.00	316,819.26	0.00	-16,811.48	300,007.78
SYS10137	300,007.78	0.091	/ /	110.70	0.00	316,819.26	0.00	-16,811.48	300,007.78
Sub Totals For: Fund: Drainage 2007 CO				194.93	100,006.11	466,819.26	100,000.00	-16,817.59	450,007.78
				292.08	100,064.00	466,819.26	100,000.00	-16,747.98	450,135.28
Report Grand Totals:				232,018.40	8,235,079.55	21,567,453.87	6,275,075.34	111,449.30	23,638,907.38
				222,485.23	8,282,144.75	21,567,453.87	6,275,075.34	86,957.91	23,661,481.19

Portfolio CITY

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

For Fiscal Year Ended September 30, 2011



APPENDIX B

First Southwest Portfolio Assessment



City of Corinth, Texas
Portfolio Exceptions
Quarter Ending September 30, 2011

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

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

There was a single quarter (Q2) in which bond fund WAM exceeded the 365-day limitation by 40 days. This corrected itself by the following quarter (Q3). We do not view this as a problem as a longer WAM is beneficial in a stable or falling interest rate environment.

Signature Redacted

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

10/20/11

Date



City of Corinth, Texas
Portfolio Assessment
Quarter Ending September 30, 2011

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

▪ **Consolidated Portfolio**

- Yield-to-Maturity is 0.61%
- WAM is 174 days
- Percentage Liquid - 61%

The Consolidated portfolio, as well as the other portfolios, are benefiting from *an exceptional bank rate*. As a result, all portfolios are performing above market levels. The Fed is not expected to raise short-term rate before Mid-2013.

▪ **Eco Development**

- Yield-to-Maturity is 0.52%
- WAM is 178 days
- Percentage Liquid - 71%

The ED portfolio is benefiting from callable paper in addition to bank deposits.

▪ **Crime Prevention**

- Yield-to-Maturity is 0.50%
- WAM is 1 day
- Percentage Liquid - 100%

This Crime Prevention portfolio is 100% liquid with all assets held in depository bank.

▪ **Street Maintenance Tax**

- Yield-to-Maturity is 0.22%
- WAM is 1 day
- Percentage Liquid - 100%

This Street Maintenance portfolio is 100% liquid with all assets held in depository bank.

Signature Redacted

Scott D. McIntyre, CFA
Senior Vice President

10/20/11

Date

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

For Fiscal Year Ended September 30, 2011



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.