



## City of Corinth

### Annual Investment Report

For the Period Ended September 30, 2013

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## 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 2012 through September 2013 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.

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# Section 1

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City of Corinth  
Annual Investment Report  
September 2013

## **INVESTMENT COMMITTEE**

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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 19, 2013, the committee took action on the following items:

- √ Approved the minutes for the August 13, 2013 Investment Committee Meeting.
- √ Unanimously approved the FY 2012-13 Annual Investment Report.

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**MINUTES**  
**City of Corinth**  
**Investment Committee Meeting**

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6 After determining that a quorum was present, the Investment Committee convened on Tuesday,  
7 August 13, at 7:45 a.m. in the Administration Conference Room at City Hall.

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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.

12  
13 **ABSENT:** None

14  
15 **I. APPROVE MINUTES FOR THE APRIL 23, 2013 COMMITTEE MEETING**

16  
17 **Action: Council Member Harrison made a motion to approve the April 23, 2013 minutes**  
18 **as written. Mayor Ruggiere seconded the motion. The motion passed unanimously.**

19  
20 **II. DISCUSS AND APPROVE THE FY2012-13 THIRD QUARTER INVESTMENT**  
21 **REPORT**

22  
23 Chris presented the FY2012-13 Third Quarter Investment Report. She noted that the decrease in  
24 the market value for the portfolio was due to the expenditure of capital improvement bond funds  
25 for the FM2181 Utility Relocation project and the Westside Lift Station Expansion project. She  
26 noted that in the debt service fund the fund balance is \$1 million and of that \$975,459 is  
27 invested. Chris further stated that there was no change in the Special Revenue Funds and that the  
28 decrease in the market value for the bond funds was due to the expenditure of funds for the two  
29 capital improvement projects, FM 2181 Utility Relocation and the Westside Lift Station  
30 expansion. Chris explained that the average yield to maturity still exceeds the policy benchmark,  
31 and that all four of the portfolio fund categories were still below the weighted average  
32 benchmark.

33  
34 The Economic Development Corporation (EDC) portfolio has \$2.5 million in investments and  
35 cash and the average yield to maturity is .47%. The liquidity for the portfolio is at 35%.

36  
37 Chris noted that the Street Maintenance Sales Tax portfolio has just over a million dollars with  
38 liquidity of 53%, and that the Crime Control & Prevention District portfolio has no investments  
39 at this time.

40  
41 **Action: Mayor Ruggiere made a motion to approve the FY2012-13 Third Quarter**  
42 **Investment report. Council Member Harrison seconded the motion and it passed**  
43 **unanimously.**

44  
45 **III. REVIEW THE ECONOMIC OUTLOOK**

46  
47 Chris presented the economic outlook. She noted that the Overnight Fed Fund rate is still at  
48 0.25% and it is expected to remain there until mid-2015.

52 IV. REVIEW THE FIRST QUARTER INTEREST INCOME ANALYSIS

53

54 Chris presented the third quarter interest income analysis.

55

56 V. OTHER ITEMS

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58 The committee's next meeting is scheduled for Tuesday, November 19, 2013 at 7:45 a.m.

59

60 VI. ADJOURN

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# Section 2

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City of Corinth  
Annual Investment Report  
September 2013

## **INVESTMENT REPORT**

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November 19, 2013

TO: Honorable Mayor and Members of the City Council

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

## I. STATUTORY AND POLICY REQUIREMENTS

On December 20, 2012, 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. The NorthStar bank contract expires June 1, 2014, so we will be going out for bid in February.

### 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, 2013**

Security Type	Par Value	Book Value	Market Value	% of Mkt to Book
U. S. Federal Agency-Coupon	\$ 3,486,000	\$ 3,511,807	\$ 3,516,415	100.13%
U.S. Federal Agency -Callable	3,500,000	3,500,277	3,491,711	99.76%
Managed Pools	1,884,101	1,884,101	1,884,101	100.00%
Money Market	5,651,842	5,651,842	5,651,842	100.00%
Bank Cash	2,239,930	2,239,930	2,239,930	100.00%
	<u>\$ 16,761,873</u>	<u>\$ 16,787,957</u>	<u>\$ 16,783,999</u>	<u>99.98%</u>

**PORTFOLIO SUMMARY REPORT**

Beginning Par Value as of 9/30/2012	\$ 21,131,081	
Beginning Book Value as of 9/30/2012	\$ 21,190,377	
Beginning Market Value as of 9/30/2012	\$ 21,213,009	
WAM at Beginning Date (Days)		234
Ending Par Value as of 9/30/2013	\$ 16,761,873	
Ending Book Value as of 9/30/2013	\$ 16,787,957	
Ending Market Value as of 9/30/2013	\$ 16,783,999	
WAM at Ending Date (Days)		247
Change to Market Value		\$ (4,429,010)

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 Bunseimeyer  
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, 2013**

**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 9/30/2012	\$	13,104,208
Beginning Market Value as of 9/30/2012	\$	13,115,747
WAM at Beginning Date (Days)		198
Ending Book Value as of 9/30/2013	\$	13,470,872
Ending Market Value as of 9/30/2013	\$	13,467,795
Unrealized Gain/(Loss)	\$	(3,077)
Change to Market Value <sup>(1)</sup>	\$	352,048
WAM at Ending Date (Days)		245
WAM Policy Benchmark ≤		270

<sup>(1)</sup> The increase in the Change to Market Value for the Operating Funds is due to revenues exceeding expenditures.

**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 9/30/2012	\$	993,734
Beginning Market Value as of 9/30/2012	\$	993,931
WAM at Beginning Date (Days)		281
Ending Book Value as of 9/30/2013	\$	730,860
Ending Market Value as of 9/30/2013	\$	729,648
Unrealized Gain/(Loss)	\$	(1,212)
Change to Market Value <sup>(2)</sup>	\$	(264,284)
WAM at Ending Date (Days)		353
WAM Policy Benchmark ≤		365

<sup>(2)</sup> The Change to Market Value decrease in the reserve fund is due to budgeting the use of fund balance in making the annual debt service payments

**Investment Strategies Compliance Report**  
**For Period Ending September 30, 2013**

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**BOND FUNDS**

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

Beginning Book Value as of 9/30/2012	\$	6,737,415
Beginning Market Value as of 9/30/2012	\$	6,748,221
WAM at Beginning Date (Days)		299
Ending Book Value as of 9/30/2013	\$	1,923,556
Ending Market Value as of 9/30/2013	\$	1,923,836
Unrealized Gain/(Loss)	\$	280
Change to Market Value <sup>(1)</sup>	\$	(4,824,386)
WAM at Ending Date (Days)		267
WAM Policy Benchmark $\leq$		365

<sup>(1)</sup> The Change in Market Value decrease in the bond funds is due to the capital project expenditures for the Westside Lift Station project and the FM 2181 Utility Relocation project.

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**SPECIAL REVENUE FUNDS**

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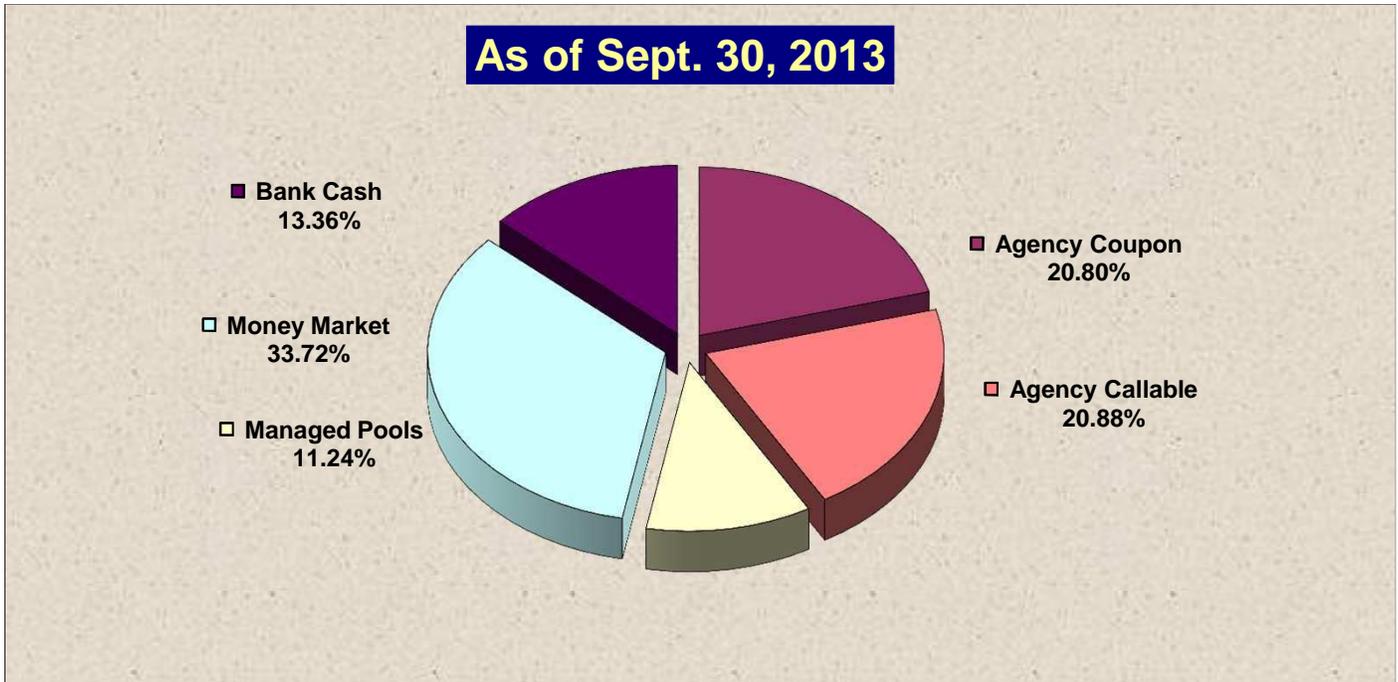
Investment strategies for construction projects or special revenue fund portfolios will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. These portfolios should include at least 10% in highly liquid securities to allow for flexibility 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 9/30/2012	\$	355,019
Beginning Market Value as of 9/30/2012	\$	355,109
WAM at Beginning Date (Days)		210
Ending Book Value as of 9/30/2013	\$	662,669
Ending Market Value as of 9/30/2013	\$	662,720
Unrealized Gain/(Loss)	\$	50
Change to Market Value <sup>(2)</sup>	\$	307,610
WAM at Ending Date (Days)		121
WAM Policy Benchmark $\leq$		270

<sup>(2)</sup> The increase in the Change to Market Value is due to the increased investment of available special revenue bank funds.

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

<b>Market Sector</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
U.S. Federal Agency -Coupon	\$ 3,911,000	\$ 4,811,000	\$ 4,161,000	\$ 3,486,000
U.S. Federal Agency-Callable	1,550,000	3,800,000	3,500,000	3,500,000
Managed Pools	5,631,097	5,932,906	3,083,785	1,884,101
Money Market	5,527,241	5,534,027	5,850,951	5,651,842
Bank Cash	3,869,604	1,397,910	2,198,358	2,239,930
<b>Total Par Value:</b>	<b>\$ 20,488,942</b>	<b>\$ 21,475,843</b>	<b>\$ 18,794,094</b>	<b>\$ 16,761,873</b>



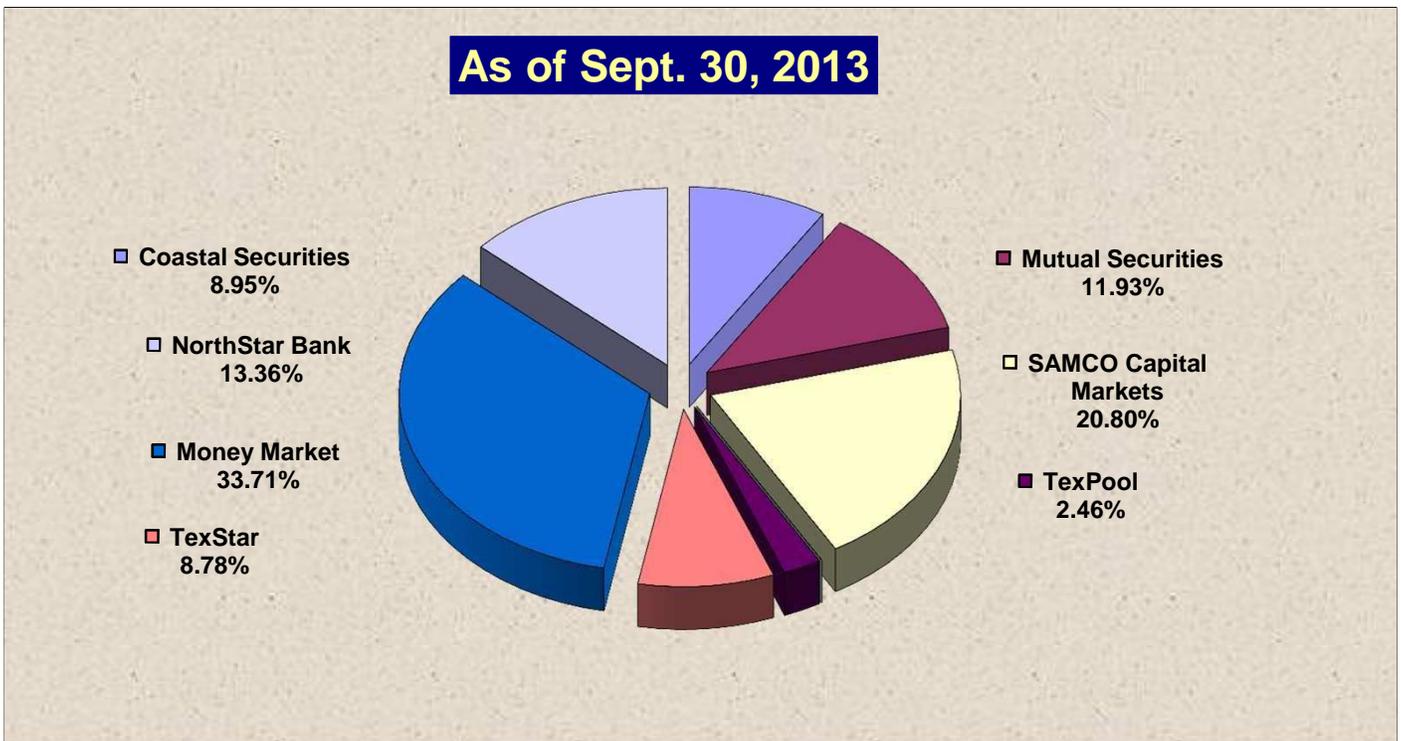
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income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

<b>Performance Indicators</b>	<b>Policy Benchmark</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
Average Yield to Maturity		0.43%	0.41%	0.43%	0.47%
$\geq$ Policy Benchmark-(Six Month T-Bill)		0.11%	0.11%	0.08%	0.04%
Callable Securities $\leq$	30.00%	7.57%	17.69%	18.62%	20.88%
Investment By Type $\leq$					
U.S. Treasuries	100.00%	0.00%	0.00%	0.00%	0.00%
U.S. Agencies	100.00%	26.65%	40.09%	40.76%	41.68%
Certificates of Deposit	100.00%	0.00%	0.00%	0.00%	0.00%
Managed Pools	50.00%	27.48%	27.63%	16.41%	11.24%
Money Market	100.00%	26.98%	25.77%	31.13%	33.72%
Cash	100.00%	18.89%	6.51%	11.70%	13.36%

**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, 2012	Mar. 31, 2013	June 30, 2013	Sept. 30, 2013
<b>Broker/Dealer</b>				
Coastal Securities	\$ 1,300,000	\$ 1,800,000	\$ 1,500,000	\$ 1,500,000
Mutual Securities	575,000	2,325,000	2,325,000	2,000,000
SAMCO Capital Markets	<b>3,586,000</b>	<b>4,486,000</b>	<b>3,836,000</b>	<b>3,486,000</b>
Total Broker/Dealer	\$ 5,461,000	\$ 8,611,000	\$ 7,661,000	\$ 6,986,000
<b>Managed Pools/ Depository Bank</b>				
TexPool	\$ 1,412,538	\$ 1,412,883	\$ 413,039	\$ 413,087
TexStar	4,218,559	4,520,023	2,670,745	1,471,015
Money Market	5,527,241	5,534,027	5,850,951	5,651,842
NorthStar Bank	3,869,604	1,397,910	2,198,358	2,239,930
Total Managed Pools/Depository Bank	\$ 15,027,942	\$ 12,864,843	\$ 11,133,093	\$ 9,775,873
Total Par Value:	\$ 20,488,942	\$ 21,475,843	\$ 18,794,093	\$ 16,761,873

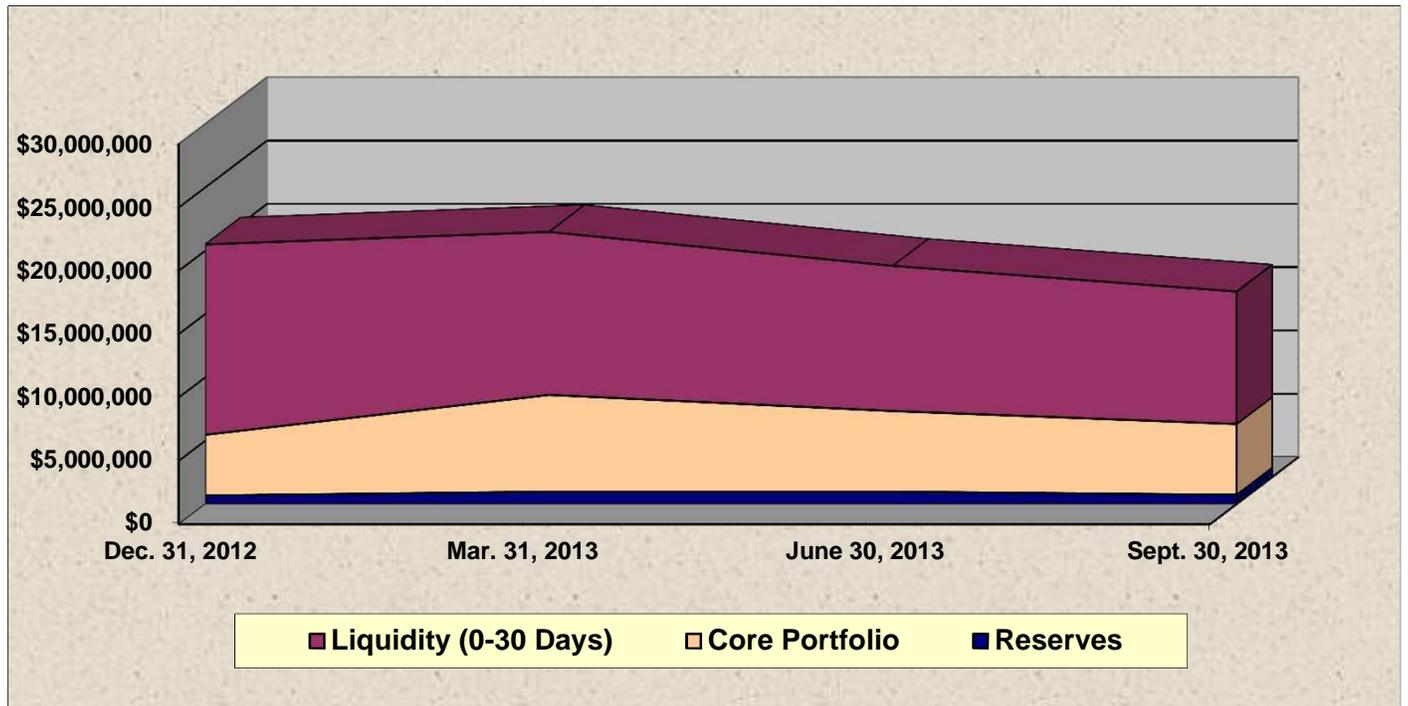


To guard against default possibilities, and to promote diversification of bidders, business with any one issuer, or investment broker, is limited to forty (40%) percent of the total portfolio at any point in time. As shown in the table below, the portfolio adhered to this provision throughout the quarter.

Performance Indicators	Policy Benchmark	Dec. 31, 2012	Mar. 31, 2013	June 30, 2013	Sept. 30, 2013
Highest Broker Percent ≤	40.00%	17.50%	20.89%	20.41%	20.80%

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

<b>Maturity Time Frame</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
0-30 Days	\$ 15,027,942	\$ 12,864,844	\$ 11,458,094	\$ 10,449,873
31-90 Days	-	-	200,000	550,000
91-180 Days	-	325,000	674,000	-
181-270 Days	525,000	200,000	550,000	-
271-360 Days	874,000	874,000	-	300,000
361-450 Days	1,000,000	1,000,000	300,000	1,212,000
451-540 Days	300,000	300,000	1,212,000	-
541 Days & Over	2,762,000	5,912,000	4,400,000	4,250,000
	<b>\$ 20,488,942</b>	<b>\$ 21,475,844</b>	<b>\$ 18,794,094</b>	<b>\$ 16,761,873</b>



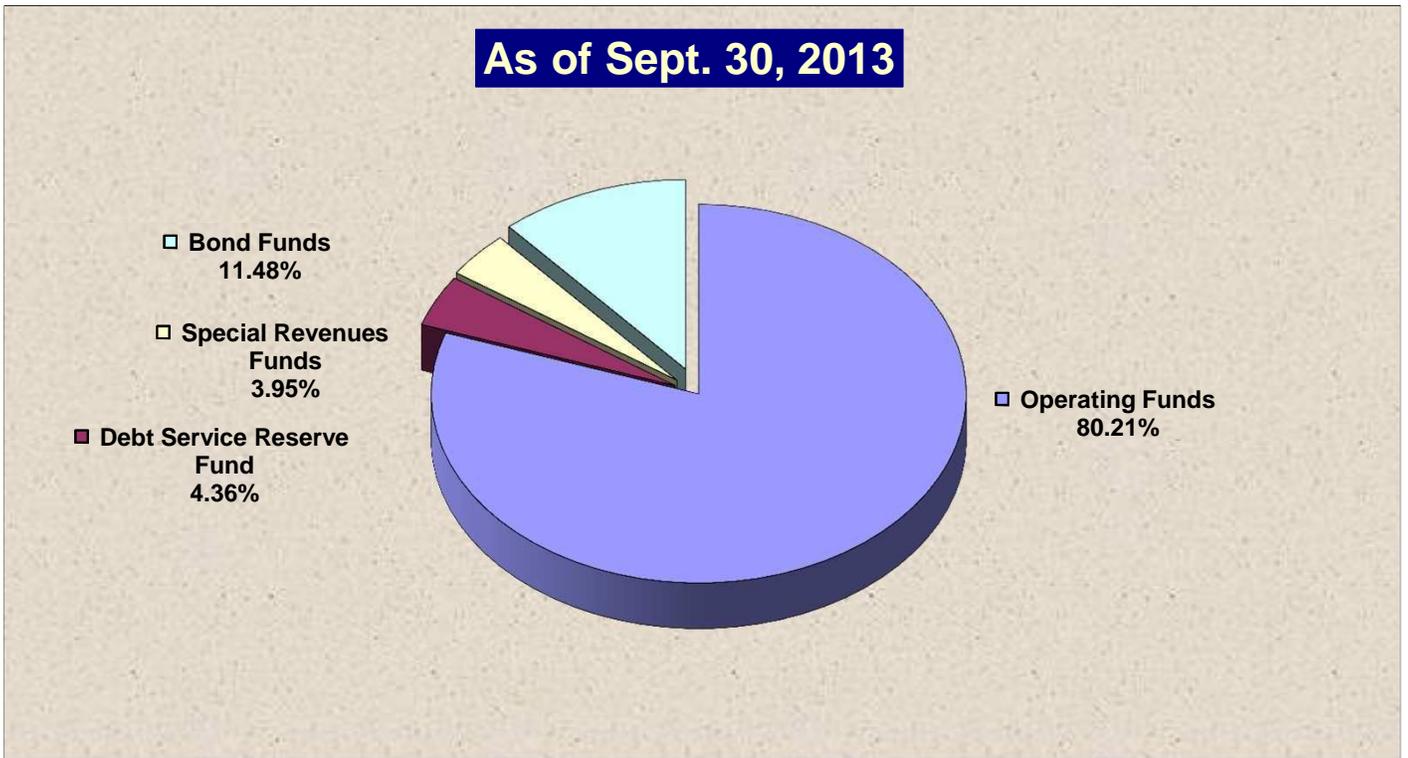
The risk of market price volatility is minimized through maturity diversification. The maturities on our investments are staggered over a series of three-month increments to provide cash flow based on the anticipated needs of the City. Liquidity is achieved by matching investment maturities with forecasted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

<b>Performance Indicators</b>	<b>Policy Benchmark</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
Weighted Avg. Maturity ≤	365 Days	145	276	263	247
Maturities ≤30 days ≥	5.00%	73.35%	59.90%	60.97%	62.34%

**Note:** The portfolio is within the benchmark limits for the Weighted Average Maturity and liquidity is at 62.5% at the end of the fiscal year.

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

<b>Fund Type</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
Operating Funds	\$ 14,312,612	\$ 15,497,738	\$ 15,164,663	\$ 13,445,966
Debt Service Reserve Fund	674,154	974,736	975,340	730,858
Special Revenues Funds	260,361	260,681	261,013	661,397
Bond Funds	5,241,815	4,742,690	2,393,077	1,923,652
	<u>\$ 20,488,942</u>	<u>\$ 21,475,845</u>	<u>\$ 18,794,093</u>	<u>\$ 16,761,873</u>



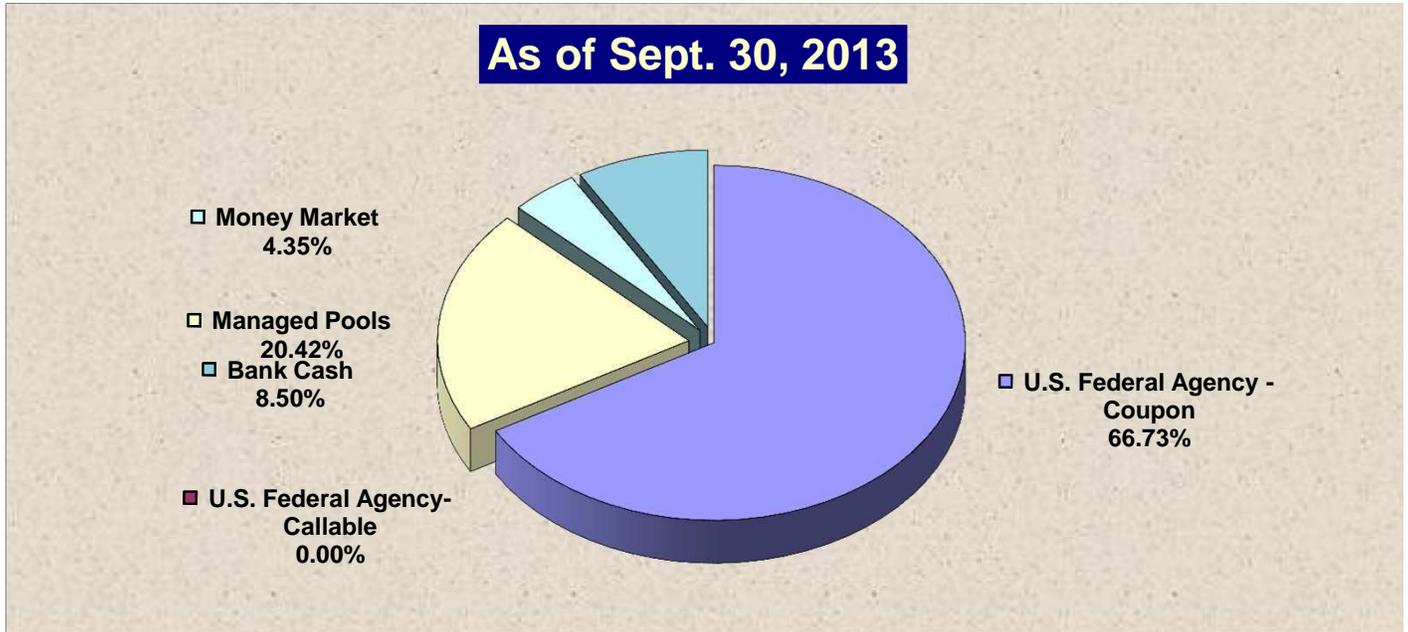
As shown in the graph above, the investments in the portfolio are distributed by fund type. Preservation and safety of principal of these investments is the most important strategy. All investments shall be high quality securities with no perceived default risk. Market fluctuations will occur; however,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

<b>Performance Indicators</b>	<b>Policy</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
	<b>Benchmark</b>				
WAM by Fund ≤					
Operating Funds	270 Days	133	263	267	245
Debt Service Reserve Funds	365 Days	85	359	312	353
Special Revenue Funds	270 Days	1	1	1	121
Bond Funds	365 Days	191	316	248	267

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

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

<b>Market Sector</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
U.S. Federal Agency -Coupon	\$ 860,000	\$ 1,010,000	\$ 1,660,000	\$ 1,535,000
U.S. Federal Agency-Callable	200,000	200,000	-	-
Managed Pools	894,310	744,516	694,656	469,723
Money Market	234,162	309,480	-	100,043
Bank Cash	204,611	240,952	205,846	195,502
<b>Total Par Value:</b>	<b>\$ 2,393,083</b>	<b>\$ 2,504,948</b>	<b>\$ 2,560,502</b>	<b>\$ 2,300,268</b>



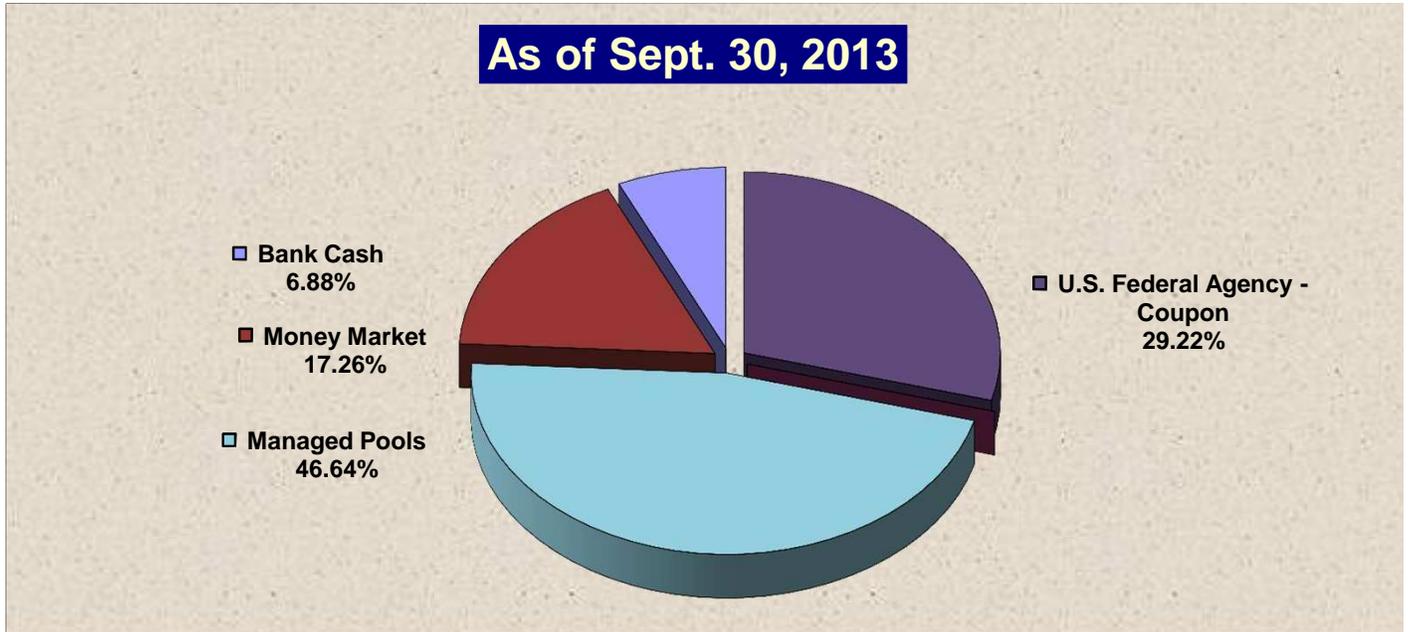
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income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

<b>Performance Indicators</b>	<b>Policy Benchmark</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
Average Yield to Maturity		0.34%	0.36%	0.47%	0.52%
≥ Policy Benchmark-(Six Month T-Bill)		0.11%	0.11%	0.08%	0.04%
Callable Securities ≤	30.00%	8.36%	7.98%	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%	44.30%	48.31%	64.83%	66.73%
Managed Pools	100.00%	37.37%	29.72%	27.13%	20.42%
Money Market	100.00%	9.78%	12.35%	0.00%	4.35%
Cash	100.00%	8.55%	9.62%	8.04%	8.50%
Weighted Avg. Maturity ≤	270 Days	230	243	211	172
Maturities ≤30 days ≥	5.00%	55.71%	51.70%	35.17%	33.27%

**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 33% at the end of the fiscal year.

**ANNUAL INVESTMENT REPORT**  
**Street Maintenance Sales Tax**

<b>Market Sector</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
U.S. Federal Agency -Coupon	\$ 300,000	\$ 500,000	\$ 500,000	\$ 350,000
U.S. Federal Agency-Callable	-	-	-	-
Managed Pools	358,445	358,540	508,638	558,703
Money Market	-	-	-	206,766
Bank Cash	298,086	167,721	69,004	82,416
<b>Total Par Value:</b>	<b>\$ 956,531</b>	<b>\$ 1,026,261</b>	<b>\$ 1,077,642</b>	<b>\$ 1,197,885</b>



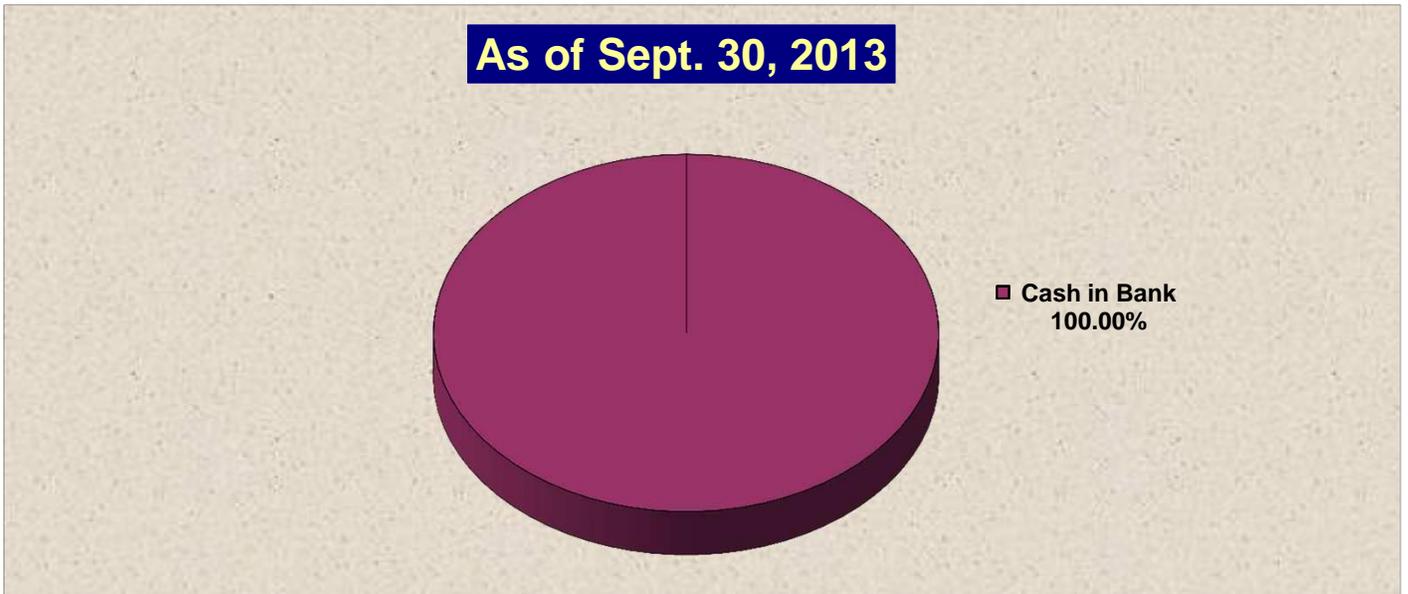
The portfolio is restricted to U.S. Treasuries, U.S. Agencies, bonds issued by Texas public entities and rated AA or better, fully insured/collateralized certificates of deposit, and fully collateralized repurchase agreements. The investments are diversified by security type to protect interest income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

<b>Performance Indicators</b>	<b>Policy Benchmark</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
Average Yield to Maturity		0.30%	0.27%	0.21%	0.26%
≥ Policy Benchmark-(Six Month T-Bill)		0.11%	0.11%	0.08%	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%	31.36%	48.72%	46.40%	29.22%
Managed Pools	100.00%	37.48%	34.94%	47.20%	46.64%
Money Market	100.00%	0.00%	0.00%	0.00%	17.26%
Cash	100.00%	31.16%	16.34%	6.40%	6.88%
Weighted Avg. Maturity ≤	270 Days	58	229	176	241
Maturities ≤30 days ≥	5.00%	68.64%	51.28%	53.60%	53.52%

**Note:** The portfolio is within the policy benchmark for the Average Yield to Maturity for the fiscal year. The liquidity for the portfolio is 53.5% at the end of the fiscal year.

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

<b>Market Sector</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
U.S. Federal Agency -Coupon Cash in Bank	\$ - 106,980	\$ - 110,767	\$ - 126,661	\$ - 136,647
<b>Total Par Value:</b>	<b>\$ 106,980</b>	<b>\$ 110,767</b>	<b>\$ 126,661</b>	<b>\$ 136,647</b>



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

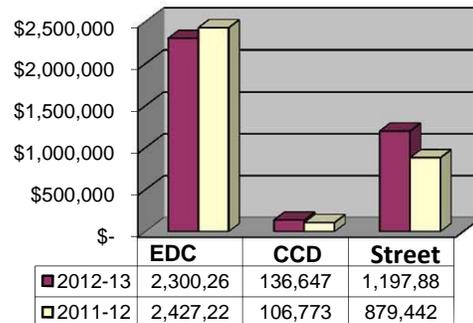
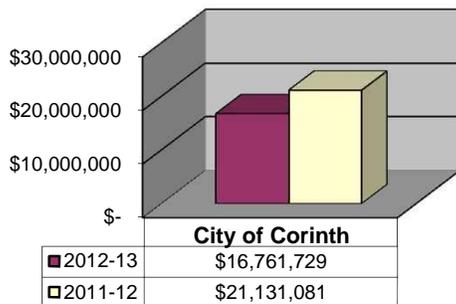
<b>Performance Indicators</b>	<b>Policy Benchmark</b>	<b>Dec. 31, 2012</b>	<b>Mar. 31, 2013</b>	<b>June 30, 2013</b>	<b>Sept. 30, 2013</b>
Average Yield to Maturity		0.50%	0.50%	0.50%	0.50%
≥ Policy Benchmark-(Six Month T-Bill)		0.11%	0.11%	0.08%	0.04%
Callable Securities ≤	30.00%	0.00%	0.00%	0.00%	0.00%
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)*

<b>Fund Name</b>	<b>Actual 2012-13</b>	<b>Actual 2011-12</b>	<b>Variance</b>
<b>OPERATING FUNDS:</b>			
100 General Fund	\$ 3,680,572	\$ 4,723,362	\$ (1,042,790)
110 Water/Sewer Operations	3,902,680	4,223,141	(320,462)
120 Storm Water Utility Fund	798,230	627,359	170,871
193 GF Capital Expenditure Fund	1,650,198	-	1,650,198
194 Utility Capital Expenditure Fund	359,212	-	359,212
300 GF Vehicle Replacement	115,000	290,000	(175,000)
301 Fire Vehicle Replacement	-	-	-
310 Utility Vehicle Replacement	200,000	584,000	(384,000)
311 Utility Meter Replacement	500,000	-	500,000
Northstar Cash	2,239,930	2,601,203	(361,273)
	<u>\$ 13,445,822</u>	<u>\$ 13,049,065</u>	<u>\$ 396,757</u>
<b>DEBT SERVICE RESERVE FUNDS:</b>			
200 Debt Service	\$ 730,858	\$ 993,530	\$ (262,672)
	<u>\$ 730,858</u>	<u>\$ 993,530</u>	<u>\$ (262,672)</u>
<b>SPECIAL PURPOSE FUNDS:</b>			
610 Water/Sewer Impact Fees	100,000	-	100,000
611 Wastewater Impact Fees	-	-	-
620 Storm Drainage Impact Fees	-	-	-
630 Roadway Impact Fees	200,000	-	200,000
699 Capital Project Fund	361,397	355,019	6,378
	<u>\$ 661,397</u>	<u>\$ 355,019</u>	<u>\$ 306,378</u>
<b>BOND FUNDS:</b>			
703 Streets - 2007 C.O.	-	200,000	(200,000)
704 All Departmental - 2007 C.O.	-	-	-
705 Fire - 2010 C.O.	50,000	185,480	(135,480)
800 Water - 2007 C.O.	701,276	1,901,059	(1,199,783)
801 Wastewater - 2007 C.O.	1,021,802	4,346,888	(3,325,086)
802 Drainage - 2007 C.O.	150,574	100,039	50,535
	<u>\$ 1,923,652</u>	<u>\$ 6,733,466</u>	<u>\$ (4,809,814)</u>
	<u><u>\$ 16,761,729</u></u>	<u><u>\$ 21,131,081</u></u>	<u><u>\$ (4,369,352)</u></u>
<b>SALES TAX FUNDS:</b>			
130 Economic Development Corporation	2,300,268	2,427,220	\$ (126,953)
131 Crime Control & Prevention District	136,647	106,773	29,874
132 Street Maintenance Sales Tax	1,197,885	879,442	318,443
	<u>\$ 1,334,532</u>	<u>\$ 986,215</u>	<u>\$ 348,317</u>

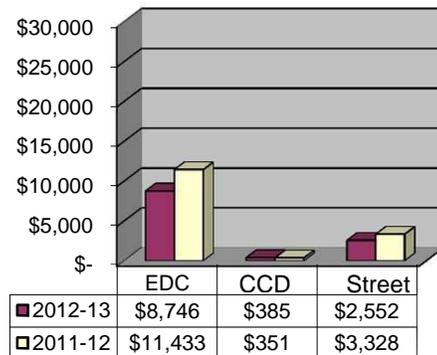
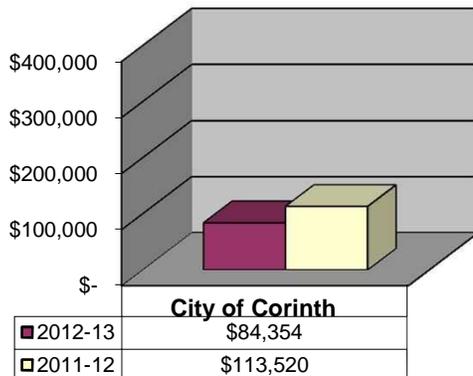
**INVESTED BALANCE COMPARISON**



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

<b>Fund</b>	<b>Name</b>	<b>Actual 2012-13</b>	<b>Actual 2011-12</b>	<b>Variance</b>
<b>OPERATING FUNDS:</b>				
100	General Fund	\$ 27,377	\$ 41,072	\$ (13,695)
110	Water/Sewer Operations	13,892	18,975	(5,083)
120	Storm Water Utility Fund	2,053	2,136	(83)
193	GF Capital Expenditure Fund	5,689	-	5,689
194	Utility Capital Expenditure Fund	3,895	283	3,612
300	GF Vehicle Replacement	1,031	935	96
301	Fire Vehicle Replacement	552	138	414
310	Utility Vehicle Replacement	1,314	2,964	(1,650)
311	Utility Meter Replacement	1,451	-	1,451
		<u>\$ 57,253</u>	<u>\$ 66,503</u>	<u>\$ (9,250)</u>
<b>RESERVE FUNDS:</b>				
200	Debt Service	\$ 5,457	\$ 7,198	\$ (1,741)
		<u>\$ 5,457</u>	<u>\$ 7,198</u>	<u>\$ (1,741)</u>
<b>SPECIAL PURPOSE FUNDS:</b>				
610	Water/Sewer Impact Fees	312	198	114
611	Wastewater Impact Fees	250	162	88
620	Storm Drainage Impact Fees	300	345	(44)
630	Roadway Impact Fees	\$ 413	\$ 151	\$ 261
		<u>\$ 1,275</u>	<u>\$ 856</u>	<u>\$ 419</u>
<b>BOND FUNDS:</b>				
703	Streets - 2007 C.O.	879	3,027	(2,148)
704	All Departmental - 2007 C.O.	135	315	(180)
705	Fire - 2010 C.O.	574	1,275	(701)
800	Water - 2007 C.O.	4,400	14,130	(9,730)
801	Wastewater - 2007 C.O.	13,511	17,357	(3,846)
802	Drainage - 2007 C.O.	869	2,859	(1,990)
		<u>\$ 20,368</u>	<u>\$ 38,962</u>	<u>\$ (18,594)</u>
		<u>\$ 84,354</u>	<u>\$ 113,520</u>	<u>\$ (29,166)</u>
<b>SALES TAX FUNDS:</b>				
130	Economic Development Corporation	8,746	11,433	(2,687)
131	Crime Control & Prevention District	\$ 385	\$ 351	\$ 34
132	Street Maintenance Sales Tax	2,552	3,328	(775)
		<u>\$ 11,298</u>	<u>\$ 14,761</u>	<u>\$ (3,463)</u>

**INTEREST EARNINGS COMPARISON**



City of Corinth, Texas

ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2013*



**APPENDIX A**

**Investment Report  
For Month Ending September 30, 2013**



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

**City of Corinth portfolio**  
**Texas Compliance Change in Val Report**  
**Sorted by Investment Type**  
**October 1, 2012 - September 30, 2013**

Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Beginning Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	Ending Market Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Book Value	Market Value				Book Value	Market Value
<b>Federal Agency Coupon -Bullet</b>											
10439	FHLB	100	02/01/2012	2,471.35	251,610.31	251,610.31	0.00	250,000.00	-251,610.31	0.00	0.00
3133XDTB7	0.00	0.000	12/14/2012	6,093.75	252,385.00	252,385.00	0.00	250,000.00	-252,385.00	0.00	0.00
10455	FHLB	132	07/02/2012	564.58	300,000.00	300,000.00	0.00	300,000.00	-300,000.00	0.00	0.00
313379YR4	0.00	0.000	07/02/2013	750.00	300,108.00	300,108.00	0.00	300,000.00	-300,108.00	0.00	0.00
10456	FHLB	310	07/02/2012	611.63	325,000.00	325,000.00	0.00	325,000.00	-325,000.00	0.00	0.00
313379YR4	0.00	0.000	07/02/2013	812.50	325,117.00	325,117.00	0.00	325,000.00	-325,117.00	0.00	0.00
10414	FNMA	310	09/27/2011	447.19	160,211.76	160,211.76	0.00	159,914.60	-160,211.76	0.00	0.00
31398A4H2	0.00	0.000	10/08/2013	1,306.79	159,397.50	159,397.50	0.00	159,914.60	-159,397.50	0.00	0.00
10415	FNMA	801	09/27/2011	1,306.25	201,524.23	201,524.23	0.00	200,656.21	-201,524.23	0.00	0.00
31398A4H2	0.00	0.000	10/08/2013	2,387.50	200,500.00	200,500.00	0.00	200,656.21	-200,500.00	0.00	0.00
10416	FNMA	703	09/27/2011	2,243.75	201,524.23	201,524.23	0.00	200,000.00	-201,524.23	0.00	0.00
31398A4H2	0.00	0.000	10/08/2013	3,325.00	200,500.00	200,500.00	0.00	200,000.00	-200,500.00	0.00	0.00
10469	FNMA	110	12/31/2012	1,341.56	0.00	0.00	159,914.60	0.00	159,023.11	159,023.11	159,023.11
31398A4H2	159,000.00	0.375	10/08/2013	481.97	0.00	0.00	159,914.60	0.00	159,031.80	159,031.80	159,031.80
10480	FNMA	130	04/30/2013	943.75	0.00	0.00	200,656.21	0.00	200,166.57	200,166.57	200,166.57
31398A4H2	200,000.00	0.375	10/08/2013	0.00	0.00	0.00	200,656.21	0.00	200,177.50	200,177.50	200,177.50
10484	FNMA	630	09/30/2013	6.25	0.00	0.00	200,000.00	0.00	201,075.00	201,075.00	201,075.00
31398A4H2	200,000.00	1.118	10/08/2013	0.00	0.00	0.00	200,000.00	0.00	201,115.00	201,115.00	201,115.00
10444	FHLB	200	04/11/2012	700.00	200,068.52	200,068.52	0.00	0.00	-66.67	200,001.85	200,001.85
313378YL9	200,000.00	0.316	10/11/2013	700.00	200,210.00	200,210.00	0.00	0.00	-190.00	200,020.00	200,020.00
10445	FHLB	300	04/11/2012	402.50	115,039.40	115,039.40	0.00	0.00	-38.34	115,001.06	115,001.06
313378YL9	115,000.00	0.317	10/11/2013	402.50	115,120.75	115,120.75	0.00	0.00	-109.25	115,011.50	115,011.50

Portfolio CITY

City of Corinth portfolio  
Texas Compliance Change in Val Report  
October 1, 2012 - September 30, 2013

Inv #	Cusip	Issuer	Fund	Purch Date	Interest Received	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
		Par Value	YTM	Mat Date			Market Value				Market Value
10395		FHLB	801	03/15/2011	6,600.00	6,600.00	550,000.00	0.00	0.00	0.00	550,000.00
313372VR2		550,000.00	1.200	12/30/2013	6,600.00	6,600.00	556,759.50	0.00	0.00	-5,329.50	551,430.00
10457		FHLB	801	08/31/2012	3,135.00	3,135.00	450,900.00	0.00	450,000.00	-450,900.00	0.00
313372VR2		0.00	0.000	12/30/2013	3,600.00	3,600.00	456,430.50	0.00	450,000.00	-456,430.50	0.00
10481		FHLB	130	04/30/2013	2,265.00	2,265.00	0.00	450,000.00	0.00	450,000.00	450,000.00
313372VR2		450,000.00	1.199	12/30/2013	900.00	900.00	0.00	450,000.00	0.00	451,170.00	451,170.00
10451		FHLB	130	06/19/2012	4,875.00	4,875.00	107,647.25	0.00	0.00	-4,531.84	103,115.41
3133XHBL5		100,000.00	0.402	06/13/2014	4,793.75	4,793.75	107,895.25	0.00	0.00	-4,595.25	103,300.00
10429		FFCB	100	01/06/2012	10,637.50	10,637.50	935,465.81	0.00	0.00	-5,196.81	930,269.00
31331JQ55		925,000.00	0.582	10/06/2014	10,637.50	10,637.50	943,342.75	0.00	0.00	-9,555.25	933,787.50
10430		FHLB	130	01/06/2012	1,000.00	1,000.00	100,836.02	0.00	0.00	-403.44	100,432.58
313374BM1		100,000.00	0.592	10/27/2014	1,000.00	1,000.00	101,290.00	0.00	0.00	-600.00	100,690.00
10450		FFCB	110	05/31/2012	8,648.75	8,648.75	202,921.07	0.00	0.00	-7,972.44	194,948.63
31331VAJ5		187,000.00	0.817	11/03/2014	7,976.08	7,976.08	205,013.19	0.00	0.00	-9,280.29	195,732.90
10460		FHLB	110	09/18/2012	2,350.00	2,350.00	105,087.93	0.00	0.00	-2,595.79	102,492.14
3133XYRX5		100,000.00	0.306	12/22/2014	1,788.61	1,788.61	105,029.39	0.00	0.00	-2,679.39	102,350.00
10461		FHLB	130	09/18/2012	8,225.00	8,225.00	367,807.73	0.00	0.00	-9,085.25	358,722.48
3133XYRX5		350,000.00	0.306	12/22/2014	6,260.14	6,260.14	367,602.86	0.00	0.00	-9,377.86	358,225.00
10485		FHLMC	610	09/30/2013	1.25	1.25	0.00	100,039.60	0.00	100,197.05	100,197.05
3134G3W55		100,000.00	0.431	11/24/2015	0.00	0.00	0.00	100,039.60	0.00	100,207.50	100,207.50
10487		FHLMC	310	09/30/2013	2.50	2.50	0.00	200,079.19	0.00	200,394.09	200,394.09
3134G3W55		200,000.00	0.431	11/24/2015	0.00	0.00	0.00	200,079.19	0.00	200,415.00	200,415.00
10486		FHLMC	132	09/30/2013	1.88	1.88	0.00	150,059.39	0.00	150,295.56	150,295.56
3134G3W55		150,000.00	0.431	11/24/2015	0.00	0.00	0.00	150,059.39	0.00	150,311.25	150,311.25
10490		FHLMC	705	09/30/2013	0.63	0.63	0.00	50,019.80	0.00	50,098.52	50,098.52
3134G3W55		50,000.00	0.431	11/24/2015	0.00	0.00	0.00	50,019.80	0.00	50,103.75	50,103.75

Portfolio CITY

City of Corinth portfolio  
 Texas Compliance Change in Val Report  
 October 1, 2012 - September 30, 2013

Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10474	FFCB	130	02/01/2013	400.00	0.00	150,000.00	0.00	150,000.00	150,000.00
3133ECE91	150,000.00	0.400	02/01/2016	300.00	0.00	150,000.00	0.00	149,385.00	149,385.00
10475	FFCB	132	02/01/2013	533.33	0.00	200,000.00	0.00	200,000.00	200,000.00
3133ECE91	200,000.00	0.400	02/01/2016	400.00	0.00	200,000.00	0.00	199,180.00	199,180.00
10477	FFCB	100	03/01/2013	233.34	0.00	100,000.00	0.00	100,000.00	100,000.00
3133ECE91	100,000.00	0.399	02/01/2016	166.67	0.00	100,000.00	0.00	99,590.00	99,590.00
10478	FFCB	200	03/01/2013	700.00	0.00	300,000.00	0.00	300,000.00	300,000.00
3133ECE91	300,000.00	0.399	02/01/2016	500.00	0.00	300,000.00	0.00	298,770.00	298,770.00
10454	FHLB	130	07/02/2012	235.24	125,000.00	0.00	125,000.00	-125,000.00	0.00
313379YR4	0.00	0.000	07/02/2013	312.50	125,045.00	0.00	125,000.00	-125,045.00	0.00
10453	FFCB	110	06/29/2012	1,916.44	201,384.22	0.00	200,000.00	-201,384.22	0.00
31331KET3	0.00	0.000	09/23/2013	1,960.00	201,524.00	0.00	200,000.00	-201,524.00	0.00
10443	FHLB	130	04/11/2012	647.50	185,063.38	0.00	0.00	-61.67	185,001.71
313378YL9	185,000.00	0.316	10/11/2013	647.50	185,194.25	0.00	0.00	-175.75	185,018.50
10452	FNMA	110	06/29/2012	12,375.00	319,422.23	0.00	0.00	-11,116.06	308,306.17
3136F3ZQ2	300,000.00	0.401	06/30/2014	12,375.00	320,142.00	0.00	0.00	-11,292.00	308,850.00
<b>Sub Totals For: Federal Agency Coupon -Bullet</b>									
				75,822.17	5,406,514.09	2,260,768.79	2,210,570.81	3,026.84	5,409,540.93
				76,477.76	5,428,606.94	2,260,768.79	2,210,570.81	-14,734.74	5,413,872.20
<b>Federated</b>									
10023	FEDER	110	10/01/2012	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
<b>Sub Totals For: Federated</b>									
				0.00	0.00	0.00	0.00	0.00	0.00
				0.00	0.00	0.00	0.00	0.00	0.00
<b>Federal Agency Coupon-Callable</b>									
10459	FFCB	130	09/30/2012	444.17	200,373.56	0.00	200,000.00	-200,373.56	0.00
3133EALD8	0.00	0.000	04/16/2014	446.44	200,353.56	0.00	200,000.00	-200,353.56	0.00

Portfolio CITY

**City of Corinth portfolio  
Texas Compliance Change in Val Report  
October 1, 2012 - September 30, 2013**

Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10434	FFCB	100	01/27/2012	22.50	750,000.00	0.00	750,000.00	-750,000.00	0.00
3133EAA8	0.00	0.000	10/27/2014	1,743.75	750,007.50	0.00	750,000.00	-750,007.50	0.00
10425	FNMA	132	11/21/2011	243.06	200,000.00	0.00	200,000.00	-200,000.00	0.00
3135G0FM0	0.00	0.000	11/21/2014	875.00	200,190.00	0.00	200,000.00	-200,190.00	0.00
10436	FNMA	100	02/01/2012	613.72	505,000.00	0.00	505,000.00	-505,000.00	0.00
3135G0FM0	0.00	0.000	11/21/2014	2,209.37	505,479.75	0.00	505,000.00	-505,479.75	0.00
10437	FNMA	200	02/01/2012	243.06	200,000.00	0.00	200,000.00	-200,000.00	0.00
3135G0FM0	0.00	0.000	11/21/2014	875.00	200,190.00	0.00	200,000.00	-200,190.00	0.00
10438	FNMA	699	02/01/2012	115.45	95,000.00	0.00	95,000.00	-95,000.00	0.00
3135G0FM0	0.00	0.000	11/21/2014	415.63	95,090.25	0.00	95,000.00	-95,090.25	0.00
10428	FHLMC	800	12/19/2011	0.00	1,000,000.00	0.00	1,000,000.00	-1,000,000.00	0.00
3134G3ES5	0.00	0.000	12/19/2014	1,770.83	1,000,720.00	0.00	1,000,000.00	-1,000,720.00	0.00
10433	FNMA	120	01/23/2012	388.89	250,000.00	0.00	250,000.00	-250,000.00	0.00
3136FTYF0	0.00	0.000	01/23/2015	625.00	250,122.50	0.00	250,000.00	-250,122.50	0.00
10435	FHLMC	801	01/30/2012	619.79	500,000.00	0.00	500,000.00	-500,000.00	0.00
3134G3KH2	0.00	0.000	01/30/2015	937.50	499,875.00	0.00	500,000.00	-499,875.00	0.00
10489	FFCB	193	09/30/2013	6.39	0.00	500,000.00	0.00	500,530.28	500,530.28
3133ECBM5	500,000.00	0.459	01/07/2016	0.00	0.00	500,000.00	0.00	499,480.28	499,480.28
10488	FFCB	311	09/30/2013	6.39	0.00	500,000.00	0.00	500,530.28	500,530.28
3133ECBM5	500,000.00	0.459	01/07/2016	0.00	0.00	500,000.00	0.00	499,480.28	499,480.28
10482	FNMA	800	06/30/2013	588.75	0.00	499,784.56	0.00	499,805.66	499,805.66
3135G0TZ6	500,000.00	0.466	01/29/2016	181.25	0.00	499,784.56	0.00	498,650.00	498,650.00
10483	FNMA	100	06/30/2013	588.75	0.00	499,784.56	0.00	499,805.66	499,805.66
3135G0TZ6	500,000.00	0.466	01/29/2016	181.25	0.00	499,784.56	0.00	498,650.00	498,650.00
10448	FHLMC	200	04/19/2012	62.50	120,135.65	0.00	120,000.00	-120,135.65	0.00
3134G2J0	0.00	0.000	11/01/2013	375.00	120,001.20	0.00	120,000.00	-120,001.20	0.00

Portfolio CITY

City of Corinth portfolio  
 Texas Compliance Change in Val Report  
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Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Market Value				Market Value
10446	FFCB	801	04/16/2012	666.25	300,000.00	0.00	300,000.00	-300,000.00	0.00
3133EALD8	0.00	0.000	04/16/2014	1,230.00	299,970.00	0.00	300,000.00	-299,970.00	0.00
10468	FNMA	100	12/24/2012	1,731.25	0.00	500,000.00	0.00	500,000.00	500,000.00
3135GOST1	500,000.00	0.450	12/24/2015	1,125.00	0.00	500,000.00	0.00	498,050.00	498,050.00
10476	FHLMC	100	02/21/2013	2,750.00	0.00	999,500.00	0.00	999,605.36	999,605.36
3134G33R9	1,000,000.00	0.467	01/15/2016	1,800.00	0.00	999,500.00	0.00	997,400.00	997,400.00
<b>Sub Totals For: Federal Agency Coupon- Callable</b>									
				9,050.92	4,120,509.21	3,499,069.12	4,120,000.00	-620,231.97	3,500,277.24
				14,791.02	4,121,999.76	3,499,069.12	4,120,000.00	-630,289.20	3,491,710.56
<b>TexPool</b>									
10007	TXPOOL	130	10/01/2012	662.71	893,954.63	768.67	425,000.00	-424,231.33	469,723.30
SYS10007	469,723.30	0.039	/ /	768.67	893,954.63	768.67	425,000.00	-424,231.33	469,723.30
10064	TXPOOL	703	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00
SYS10009	0.00	0.131	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10066	TXPOOL	800	10/01/2012	300.79	500,574.84	321.24	500,896.08	-500,574.84	0.00
SYS10009	0.00	0.104	/ /	321.24	500,574.84	321.24	500,896.08	-500,574.84	0.00
10067	TXPOOL	801	10/01/2012	677.81	911,401.89	788.54	499,103.92	-498,315.38	413,086.51
SYS10009	413,086.51	0.043	/ /	788.54	911,401.89	788.54	499,103.92	-498,315.38	413,086.51
10018	TXPOOL	110	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00
SYS10018	0.00	5.271	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10019	TXPOOL	699	10/01/2012	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
10065	TXPOOL	704	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00
SYS100099	0.00	2.246	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10068	TXPOOL	802	10/01/2012	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

City of Corinth portfolio  
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Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Ending Book Value	Beginning Market Value	Ending Market Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value	Ending Market Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Market Value	Market Value	Market Value	Market Value				Book Value	Market Value
<b>Sub Totals For: TexPool</b>													
				1,641.31	2,305,931.36	2,305,931.36	2,305,931.36	2,305,931.36	1,878.45	1,425,000.00	-1,423,121.55	882,809.81	882,809.81
				1,878.45					1,878.45	1,425,000.00	-1,423,121.55	882,809.81	882,809.81
<b>TexStar</b>													
10135	TXSTAR	800	10/01/2012	458.80	400,483.81	400,483.81	400,483.81	400,483.81	700,508.86	1,100,992.67	-400,483.81	0.00	0.00
SYS10135	0.00	0.103	/ /	508.86	400,483.81	400,483.81	400,483.81	400,483.81	700,508.86	1,100,992.67	-400,483.81	0.00	0.00
10136	TXSTAR	801	10/01/2012	560.59	1,127,966.30	1,127,966.30	1,127,966.30	1,127,966.30	727.81	1,120,000.00	-1,119,272.19	8,694.11	8,694.11
SYS10136	8,694.11	0.039	/ /	727.81	1,127,966.30	1,127,966.30	1,127,966.30	1,127,966.30	727.81	1,120,000.00	-1,119,272.19	8,694.11	8,694.11
10137	TXSTAR	802	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10137	0.00	0.090	/ /	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10138	TXSTAR	703	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10138	0.00	0.132	/ /	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10140	TXSTAR	100	10/01/2012	1,789.41	953,670.83	953,670.83	953,670.83	953,670.83	4,001,901.45	4,300,000.00	-298,098.55	655,572.28	655,572.28
SYS10140	655,572.28	0.039	/ /	1,901.45	953,670.83	953,670.83	953,670.83	953,670.83	4,001,901.45	4,300,000.00	-298,098.55	655,572.28	655,572.28
10155	TXSTAR	132	10/01/2012	374.73	358,295.10	358,295.10	358,295.10	358,295.10	350,408.10	150,000.00	200,408.10	558,703.20	558,703.20
SYS10155	558,703.20	0.039	/ /	408.10	358,295.10	358,295.10	358,295.10	358,295.10	350,408.10	150,000.00	200,408.10	558,703.20	558,703.20
10211	TXSTAR	110	10/01/2012	552.68	1,007,636.70	1,007,636.70	1,007,636.70	1,007,636.70	151,673.02	850,000.00	-698,326.98	309,309.72	309,309.72
SYS10211	309,309.72	0.039	/ /	680.35	1,007,636.70	1,007,636.70	1,007,636.70	1,007,636.70	151,673.02	850,000.00	-698,326.98	309,309.72	309,309.72
10302	TXSTAR	120	10/01/2012	256.36	227,167.92	227,167.92	227,167.92	227,167.92	270,270.73	0.00	270,270.73	497,438.65	497,438.65
SYS10302	497,438.65	0.039	/ /	270.73	227,167.92	227,167.92	227,167.92	227,167.92	270,270.73	0.00	270,270.73	497,438.65	497,438.65
10017	TXSTAR	200	10/01/2012	0.00	0.00	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	0.00	0.00
10052	TXSTAR	610	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10013	0.00	0.209	/ /	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10139	TXSTAR	704	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SYS10139	0.00	0.145	/ /	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Portfolio CITY

City of Corinth portfolio  
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Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10301	TXSTAR	630	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00
SYS10301	0.00	0.209	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10315	TXSTAR	611	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00
SYS10315	0.00	0.209	/ /	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Totals For: TexStar</b>									
				3,992.57	4,075,220.66	5,475,489.97	7,520,992.67	-2,045,502.70	2,029,717.96
				4,497.30	4,075,220.66	5,475,489.97	7,520,992.67	-2,045,502.70	2,029,717.96
10012	NTHSTR	00	10/01/2012	13,283.04	2,601,203.19	3,458,941.86	3,820,215.16	-361,273.30	2,239,929.89
SYS10012	2,239,929.89	0.500	/ /	0.00	2,601,203.19	3,458,941.86	3,820,215.16	-361,273.30	2,239,929.89
10021	NTHSTR	130	10/01/2012	2,151.24	239,410.74	186,840.32	230,749.30	-43,908.98	195,501.76
SYS10021	195,501.76	0.900	/ /	0.00	239,410.74	186,840.32	230,749.30	-43,908.98	195,501.76
10323	NTHSTR	131	10/01/2012	576.52	106,773.43	41,799.42	11,925.89	29,873.53	136,646.96
SYS10322	136,646.96	0.500	/ /	0.00	106,773.43	41,799.42	11,925.89	29,873.53	136,646.96
10327	NTHSTR	100	10/01/2012	7,376.78	1,339,691.29	367,714.75	1,707,406.04	-1,339,691.29	0.00
SYS10327	0.00	0.510	/ /	6,982.55	1,339,691.29	367,714.75	1,707,406.04	-1,339,691.29	0.00
10328	NTHSTR	200	10/01/2012	2,284.94	473,530.28	2,327.66	245,000.00	-242,672.34	230,857.94
SYS10328	230,857.94	0.510	/ /	2,327.66	473,530.28	2,327.66	245,000.00	-242,672.34	230,857.94
10329	NTHSTR	699	10/01/2012	1,414.79	260,018.94	101,378.20	0.00	101,378.20	361,397.14
SYS10329	361,397.14	0.510	/ /	1,378.20	260,018.94	101,378.20	0.00	101,378.20	361,397.14
10330	NTHSTR	703	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00
SYS10330	0.00	0.612	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10331	NTHSTR	132	10/01/2012	177.83	0.00	206,765.91	0.00	206,765.91	206,765.91
SYS10331	206,765.91	0.510	/ /	88.18	0.00	206,765.91	0.00	0.00	0.00
10332	NTHSTR	120	10/01/2012	684.09	150,191.13	200,599.96	50,000.00	150,599.96	300,791.09
SYS10332	300,791.09	0.510	/ /	599.96	150,191.13	200,599.96	50,000.00	150,599.96	300,791.09

Portfolio CITY

City of Corinth portfolio  
 Texas Compliance Change in Val Report  
 October 1, 2012 - September 30, 2013

Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
10333	NTHSTR	800	10/01/2012	851.37	0.00	501,275.63	300,000.00	201,275.63	201,275.63
SYS10333	201,275.63	0.510	/ /	547.32	0.00	501,275.63	300,000.00	0.00	0.00
10334	NTHSTR	801	10/01/2012	22.03	307,519.92	50,021.33	307,519.92	-257,498.59	50,021.33
SYS10334	50,021.33	0.510	/ /	21.33	307,519.92	50,021.33	307,519.92	-257,498.59	50,021.33
10358	NTHSTR	110	10/01/2012	9,312.44	2,428,504.54	1,418,865.43	1,000,000.00	418,865.43	2,847,369.97
SYS10358	2,847,369.97	0.510	/ /	8,954.49	2,428,504.54	1,418,865.43	1,000,000.00	418,865.43	2,847,369.97
10370	NTHSTR	705	10/01/2012	155.83	185,480.41	163.59	185,644.00	-185,480.41	0.00
SYS10370	0.00	0.510	/ /	163.59	185,480.41	163.59	185,644.00	-185,480.41	0.00
10379	NTHSTR	130	10/01/2012	796.10	233,854.61	175,668.09	309,480.03	-133,811.94	100,042.67
SYS10379	100,042.67	0.510	/ /	668.09	233,854.61	175,668.09	309,480.03	-133,811.94	100,042.67
10380	NTHSTR	704	10/01/2012	0.00	0.00	0.00	0.00	0.00	0.00
SYS10380	0.00	0.613	/ /	0.00	0.00	0.00	0.00	0.00	0.00
10401	NTHSTR	132	10/01/2012	1,113.96	21,147.30	685,830.12	624,561.63	61,268.49	82,415.79
SYS10042	82,415.79	0.500	/ /	0.00	21,147.30	685,830.12	624,561.63	61,268.49	82,415.79
10458	NTHSTR	802	10/01/2012	554.24	100,039.19	50,535.17	0.00	50,535.17	150,574.36
SYS10458	150,574.36	0.510	/ /	535.17	100,039.19	50,535.17	0.00	50,535.17	150,574.36
10462	NTHSTR	300	10/01/2012	392.23	175,000.00	430.91	175,430.91	-175,000.00	0.00
SYS10462	0.00	0.510	/ /	430.91	175,000.00	430.91	175,430.91	-175,000.00	0.00
10463	NTHSTR	310	10/01/2012	84.03	100,000.00	88.20	100,088.20	-100,000.00	0.00
SYS10462	0.00	0.511	/ /	88.20	100,000.00	88.20	100,088.20	-100,000.00	0.00
10464	NTHSTR	193	10/01/2012	5,235.01	0.00	2,150,198.19	0.00	1,150,198.19	1,150,198.19
SYS10464	1,150,198.19	0.510	/ /	5,198.19	0.00	2,150,198.19	0.00	1,150,198.19	1,150,198.19
10465	NTHSTR	194	10/01/2012	1,816.18	0.00	716,876.18	0.00	359,356.26	359,356.26
SYS10465	359,356.26	0.510	/ /	1,836.34	0.00	716,876.18	0.00	359,356.26	359,356.26

Portfolio CITY

City of Corinth portfolio  
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Inv #	Issuer	Fund	Purch Date	Interest Accrued	Beginning Book Value	Purchases/ Additions	Redemptions	Change in Value	Ending Book Value
Cusip	Par Value	YTM	Mat Date	Interest Received	Beginning Market Value				Ending Market Value
<b>Sub Totals For: Bank/Checking</b>									
				48,282.65	8,722,364.97	10,316,320.92	9,068,021.08	-109,220.08	8,613,144.89
				29,820.18	8,722,364.97	10,316,320.92	9,068,021.08	-517,261.62	8,205,103.35
<b>Report Grand Totals:</b>									
				138,789.62	24,630,540.29	21,553,527.25	24,344,584.56	-4,195,049.46	20,435,490.83
				127,464.71	24,654,123.69	21,553,527.25	24,344,584.56	-4,630,909.81	20,023,213.88

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2013*



**APPENDIX B**

**First Southwest Portfolio Assessment**



**City of Corinth, Texas**  
Portfolio Exceptions  
Quarter Ending September 30, 2013

*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.

11/12/13  
Date



City of Corinth, Texas  
Portfolio Assessment  
Quarter Ending September 30, 2013

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

▪ **Consolidated Portfolio**

- Yield-to-Maturity is 0.47%
- WAM is 247 days
- Percentage Liquid - 58%

The Consolidated portfolio, as well as the other portfolios, are benefiting from *an exceptional depository bank rate*, as well as active investing. As a result, all portfolios are performing well above market levels. The Fed is not expected to raise short-term rates until mid-2015.

▪ **Eco Development**

- Yield-to-Maturity is 0.52%
- WAM is 172 days
- Percentage Liquid - 33%
- Percent Callable - 0%

**Crime Prevention**

- Yield-to-Maturity is 0.50%
- WAM is 1 day
- Percentage Liquid - 100%
- Percent Callable - 0%

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

▪ **Street Maintenance Tax**

- Yield-to-Maturity is 0.27%
- WAM is 252 days
- Percentage Liquid - 70%
- Percent Callable - 0%

Signature Redacted

Scott D. McIntyre, CFA  
Senior Vice President

11/12/13

Date

City of Corinth, Texas

ANNUAL INVESTMENT REPORT

*For Fiscal Year Ended September 30, 2013*



**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.