

City of Corinth, Texas
Comprehensive Annual Financial Report
For the fiscal year ended
September 30, 2006



Department of Finance and Administrative Services
Finance Division

Kathy DuBose, CPA, CGFO
Director of Finance

Barbara Whitehorn
Accounting Manager

City of Corinth, Texas
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2006

TABLE OF CONTENTS

	Page	Exhibit/Table
INTRODUCTORY SECTION		
Letter of Transmittal.....	1	
GFOA Certificate of Achievement.....	6	
Organizational Chart.....	7	
Elected and Appointed Officials.....	8	
FINANCIAL SECTION		
Independent Auditors' Report on Financial Statements.....	9	
Management's Discussion and Analysis (Required Supplementary Information).....	11	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	25	Exhibit A-1
Statement of Activities.....	26	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	28	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	30	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	32	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	34	Exhibit A-6
Statement of Net Assets - Proprietary Funds.....	35	Exhibit A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Assets - Proprietary Funds.....	36	Exhibit A-8
Statement of Cash Flows - Proprietary Funds.....	37	Exhibit A-9
Notes to Basic Financial Statements	39	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	59	Exhibit B-1
<u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>		
Combining Balance Sheet - Nonmajor Governmental Funds.....	63	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - Nonmajor Governmental Funds.....	64	Exhibit C-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	66	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	68	Exhibit C-4

City of Corinth, Texas
 Comprehensive Annual Financial Report
 For The Year Ended September 30, 2006

TABLE OF CONTENTS

	Page	Exhibit/Table
Budgetary Comparison Schedules:		
Public Improvement District #1.....	70	Exhibit C-5
Street Maintenance Sales Tax Fund.....	71	Exhibit C-6
Crime Control & Prevention Fund.....	72	Exhibit C-7
Debt Service Funds:		
Budgetary Comparison Schedule:		
Debt Service Fund.....	73	Exhibit C-8
Discretely Presented Component Unit:		
Budgetary Comparison Schedule:		
Corinth Economic Development Corporation 4(B) Sales Tax Fund.....	74	Exhibit D-1
 STATISTICAL SECTION		
Net Assets by Component.....	76	Table E-1
Expenses, Program Revenues, and Net (Expense)/Revenue.....	77	Table E-2
General Revenues and Total Change in Net Assets.....	78	Table E-3
Fund Balances of Governmental Funds.....	79	Table E-4
Changes in Fund Balances of Governmental Funds.....	80	Table E-5
Tax Revenues by Source, Governmental Funds.....	81	Table E-6
Assessed Value and Estimated Actual Value of Taxable Property.....	82	Table E-7
Direct and Overlapping Property Tax Rates.....	83	Table E-8
Principal Property Tax Payers.....	84	Table E-9
Property Tax Levies and Collections.....	85	Table E-10
Taxable Sales by Category.....	86	Table E-11
Direct and Overlapping Sales Tax Rates.....	87	Table E-12
Principal Sales Tax Remitters.....	88	Table E-13
Ratios of Outstanding Debt by Type.....	89	Table E-14
Ratios of General Bonded Debt Outstanding.....	90	Table E-15
Direct and Overlapping Governmental Activities Debt.....	91	Table E-16
Legal Debt Margin Information.....	92	Table E-17
Demographic and Economic Statistics.....	93	Table E-18
Principal Employers.....	94	Table E-19
Full-Time-Equivalent City Government Employees by Function/Program.....	95	Table E-20
Operating Indicators By Function/Program.....	96	Table E-21
Capital Asset Statistics by Function/Program.....	97	Table E-22



3300 Corinth Parkway · Corinth, TX · 940.498.3200

March 13, 2007

Honorable Mayor,
Members of the City Council
and Citizens
City of Corinth, Texas

The City Manager and the Finance Division of the City of Corinth are pleased to submit the Comprehensive Annual Financial Report of the City of Corinth for the fiscal year ended September 30, 2006. The purpose of this report is to provide the council, staff, the citizens of Corinth and other interested parties with detailed information reflecting the City's financial condition.

This report satisfies §103.001 of the Texas Local Government Code and was conducted in accordance with Section 9.12 of the City Charter. The comprehensive annual financial report (CAFR) consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Corinth's financial statements have been audited by Rutledge, Crain & Company, PC, a firm of licensed certified public accountants. The goal of the independent auditor is to provide reasonable assurance that the financial statements of the City of Corinth, for the fiscal year ended September 30, 2006, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Corinth's financial statements for the fiscal year ending September 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this annual report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Corinth's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT



The City of Corinth, which incorporated September 19, 1960, is located in the north central portion of Texas. This area of the state has proven to be one of the top growth areas in Texas and the United States. The City currently occupies a land area of 7.8 square miles and serves a growing population of approximately 18,550. The City is empowered to levy a property tax on real property located within its boundaries. Corinth is also empowered, by state statute, to extend its corporate limits by annexation, which has occurred periodically when deemed appropriate by the governing council of the City.

Corinth has operated under the council-manager form of government since May 6, 1999. This has become a popular form of government throughout the State of Texas. Policy-making and legislative authority are vested in the City Council consisting of the mayor and five other members. The City Council is responsible for, among other things, passing ordinances, adopting the budget,

appointing boards and committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the government, and for appointing the heads of the various City departments. The City Council is elected on a non-partisan basis. Council members serve two-year staggered terms, with three members elected on one of the two-year rotations, and the Mayor and two remaining members elected on the other two-year rotation.

The City of Corinth provides a full range of municipal services including general government, public safety (police, fire, and animal control), streets, parks and recreation, planning and zoning, code enforcement, and water/wastewater and drainage utilities. Water/wastewater and drainage services are provided through the public works department, which functions, in essence, as a department of the City and therefore has been included as an integral part of the City's financial statements. The Lake Cities Fire Department, a legally separate entity, provides fire and ambulance service for the City and three of Corinth's sister cities; Shady Shores, Lake Dallas, and Hickory Creek.

The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by the city manager and adopted by the City Council in accordance with policies and procedures established by State law, City Charter, and Council Ordinances. All departments of the City of Corinth are required to submit requests for appropriation to the City Manager based on a budget calendar issued annually. The City Manager uses these requests as the starting point for developing the proposed budget. The proposed budget is then presented to the City Council for review prior to approval and adoption. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (i.e., Community Development), department (i.e., Planning & Community Development) and division (i.e., Code Enforcement). Department Directors may make transfers of appropriations between divisions within a department. Transfers of appropriations between departments require the approval of the City Manager. Any changes to appropriations or transfers between funds require City Council approval. Budgetary comparison schedules are provided in this report in the required supplemental information subsection for the general fund, and in the supplemental information subsection for other funds with legally adopted annual budgets.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

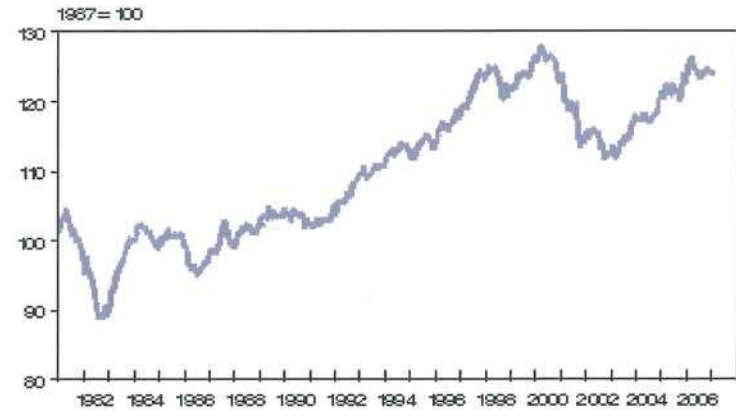
Local Economy - The City of Corinth, as well as the State of Texas, is currently experiencing an overall stable economic environment with moderate growth. As evidenced by the Texas Index of Leading Indicators, published by the Dallas Federal Reserve, the Texas economy experienced a modest gain in 2006. Economists at the Dallas Federal Reserve noted, "Texas employment data and anecdotal reports suggest

activity is cooling but is still quite strong”¹, and “estimates indicate Texas employment increased 3.2 percent in 2006-faster than the state’s 35-year average growth of 2.8 percent.”².

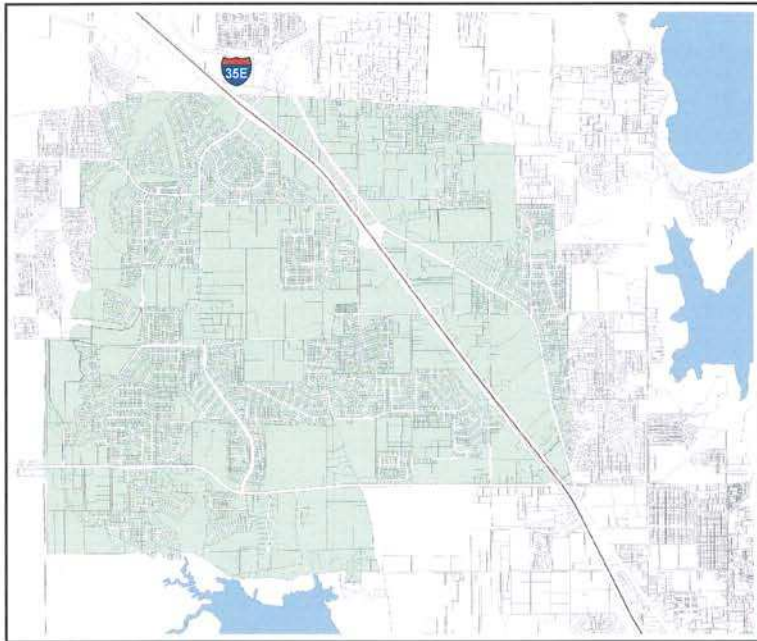
The local economy of Corinth continued to expand at a modest rate. Corinth continues to rely heavily on property tax to support its continuing operations, with the City being approximately 85% residential. Certified property values rose for the 2005 tax year by \$28.8 million, a 2.4% increase over the 2004 certified value. Sales tax revenue also increased during the fiscal year ended September 30, 2006 by approximately 19.0% over the 2004-05 fiscal year, as reported by the Texas Comptroller of Public Accounts³.

TEXAS INDEX OF LEADING INDICATORS

MONTHLY, SEASONALLY ADJUSTED, 1987=100



LAST DATA ENTRY JANUARY 2007



Corinth’s location, straddling the I35E corridor in Denton County is ideal for both businesses and residents many of whom commute north to Denton or south to Lewisville or Dallas. Corinth maintains a small-town feel while having the advantages of nearby metro areas. The City is continuing to work to increase its sales tax base with the Corinth Economic Development Corporation which receives the proceeds from a ¼ cent sales tax enacted in 2003.

The region possesses a varied manufacturing and industrial base that has added to the relative stability of the unemployment rate with approximately half of the local workforce employed in management, professional, and related occupations. Figures from the Texas Workforce Commission indicate a local unemployment rate (Denton County) of

3.8 percent⁴, down from 4.2 percent for same period one year ago. The unemployment rate for Corinth and surrounding areas remains lower, on average, than the figures for the Dallas metropolitan area, state, and nation.

¹ Source: Federal Reserve Bank of Dallas, [Regional Update January 2007](#)

² Source: Federal Reserve Bank of Dallas, [Regional Update January 2007](#)

³ Collections for the twelve month period ending September 30, 2006.

⁴ Source: Texas Workforce Commission. www.twc.state.tx.us

Major employers in the City of Corinth include:

- | | |
|-------------------------------------|----------------------------|
| • Labinal Corporation | Aerospace manufacturing |
| • CoServ Electric | Electric utility |
| • North Central Texas College | Secondary education |
| • Albertson's | Grocery retailer |
| • Bill Utter Ford | Auto dealership |
| • Huffines Jeep-Eagle-Mazda | Auto dealership |
| • McClain's RV Superstore | Recreational vehicle sales |
| • State Farm Regional Claims Center | Insurance |

LONG-TERM FINANCIAL PLANNING

The ongoing financial management of the City requires long-term planning for growth and development as well as maintenance of the existing infrastructure. The management and staff remain committed to strategic planning for the future of the City and continuing to provide services to the residents and businesses of Corinth.

In fiscal year 2005-06 the City undertook a utility rate study to examine the water and wastewater rates and the funding of capital projects and operations. The staff, City Manager and Council worked together to plan the implementation of a five-year rate structure update. The five-year plan was adopted with the fiscal year 2006-07 budget.

The City completed a valuation of the historic infrastructure of city streets. The infrastructure valuation and the pavement assessment program will be used for long-term planning for streets resurfacing and reconstruction. Additionally, the City has in place a five-year capital improvement plan for its water and wastewater infrastructure which was adopted in conjunction with the rate structure changes. A streets capital improvement plan is also slated to begin in fiscal year 2007.

CASH MANAGEMENT POLICIES AND PRACTICES

The City updated the formal investment policy as of November, 2006. The purpose of the investment policy is to set forth specific investment policy and strategy guidelines for the City in order to achieve the goals of safety, liquidity, rate of return, and public trust for all investment activities

Funds of the City shall be invested in accordance with all applicable Texas statutes, this Policy and any other approved, written administrative procedures. The five objectives of the City's investment activities shall be as follows (in the order of priority):

- 1) Safety – Preservation and Safety of Principal
Safety of principal invested is the foremost objective in the investment decisions of the City.
- 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.
- 3) Diversification
Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated needs of the City.
- 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.

5) Public Trust

The Investment Officer shall avoid any transactions that might impair public confidence in the City's ability to govern effectively. The prudence of the investment decision shall be measured in accordance with the tests set forth in Section 2256.006(b) of the Public Funds Investment Act.

The City began an active investment program at the end of fiscal year 2006. The maturities of the investments range from 30 days to 24 months, with an average maturity of approximately 30 days. The average yield on investments each quarter was approximately 4.9%. Corinth adheres to the investment guidelines set forth in the Public Funds Investment Act (PFIA). A complete copy of the City's investment policy may be found in the appendix section of the City's 2006-07 Operating Budget document.

Pension and Other Post-Employment Benefits - The City of Corinth participates in the Texas Municipal Retirement Service (TMRS) pension plan for its employee's retirement. These benefits are provided through a statewide plan managed by the State. The City of Corinth has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment. See Note IV.B for further information.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Corinth for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2005. In order to be awarded the *Certificate of Achievement*, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report which contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A *Certificate of Achievement* is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the *Certificate of Achievement Program's* requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the *Certificate*, the City received GFOA's *Award for Distinguished Budget Presentation* for its fiscal year 2006 annual budget document. In order to qualify for the *Award*, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and as an operations guide. Together, the *Award* and the *Certificate* acknowledge Finance Division staff's dedication to producing documents that effectively communicate the City's financial condition to elected officials, city administrators, and the citizens of Corinth.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration services department. We would like to express our appreciation for the assistance provided by our auditors, Rutledge, Crain & Company. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Corinth and its finances.

Respectfully Submitted,

Signature Redacted

Clovie English
City Manager

Signature Redacted

Kathy DuBose
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Corinth
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



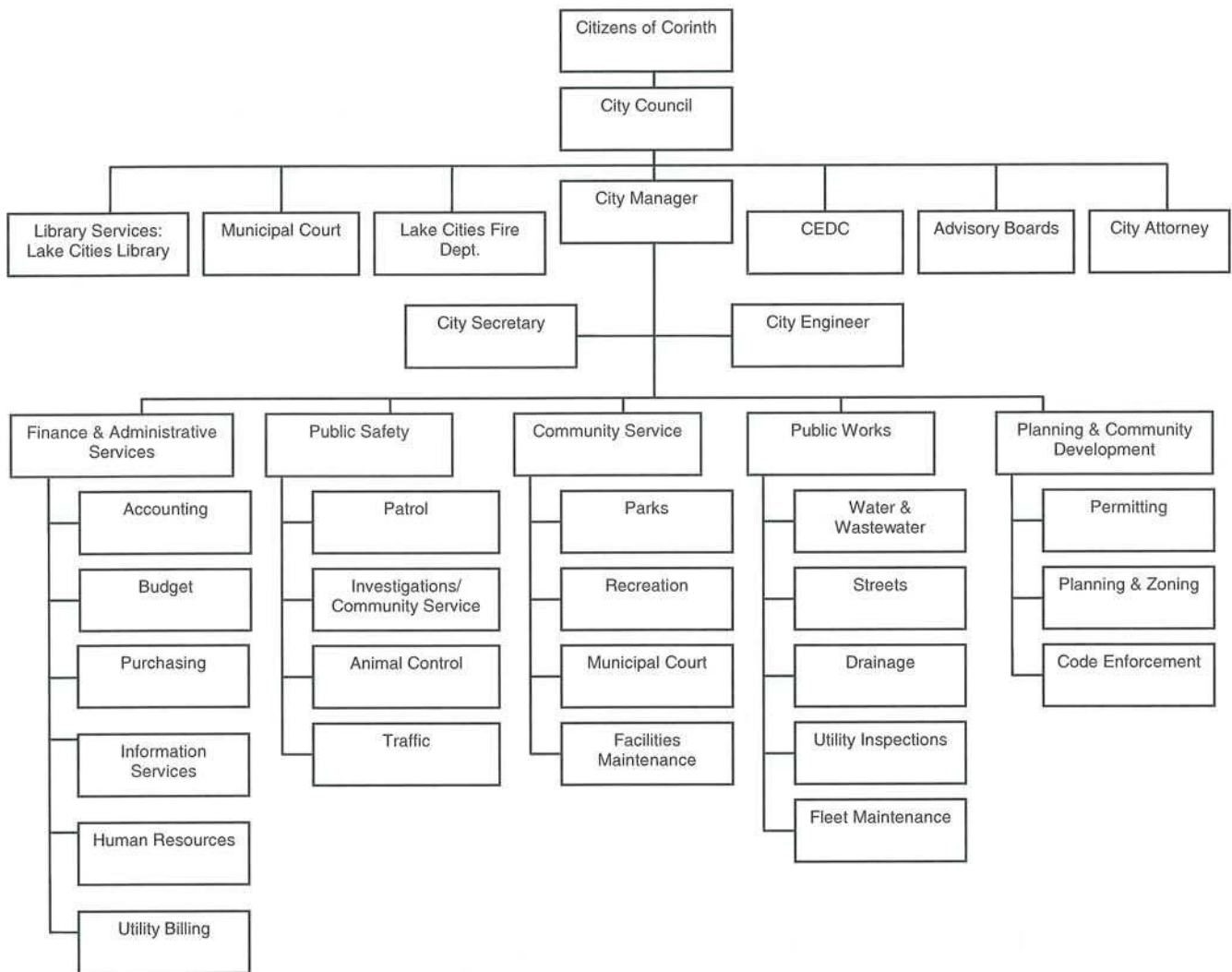
President

Executive Director

City of Corinth Mission Statement

The City government of Corinth exists only to serve its citizens. To that end the City will limit itself to providing, maintaining and upgrading basic services consistent with a family-oriented community. These things will be accomplished through openness and prudent use of revenues. Every action taken by the Council or City employees on behalf of the citizens will be an example of impeccable personal integrity.

ORGANIZATIONAL CHART



**City of Corinth, Texas
Elected and Appointed Officials**

Elected Officials:

Victor Burgess
Mayor

Shannon Bryan
Mayor Pro Tem, Council Place V

Paul Ruggiere
Council Place I

Lynn Mayfield
Council Place II

Ronnie Glasscock
Council Place III

Joe Harrison
Council Place IV

Appointed Officials:

Clovia English
City Manager

Kathy DuBose, CPA, CGFO
Director of Finance and Administrative Services

Don Locke
Director of Public Works

Fred Gibbs
Director of Planning and Community Development

Paul Leslie
Director of Community Services

RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS

2401 Garden Park Court, Suite B
Arlington, Texas 76013

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Corinth, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Corinth, Texas, as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Corinth, Texas management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Corinth, Texas, as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 11 through 22 and 59 through 60, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corinth, Texas basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


December 22, 2006

This page intentionally left blank.

Management's Discussion and Analysis

As management of the City of Corinth, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is included in this report.

Financial Highlights

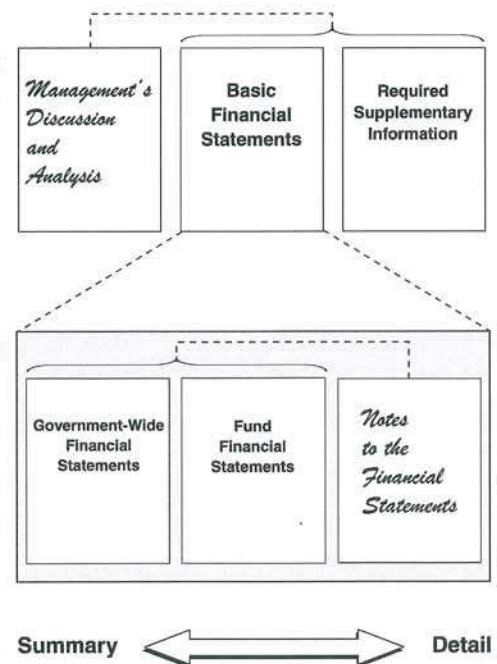
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$70,406,764 (*net assets*). Of this amount, \$8,459,131 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased \$490,122 in comparison with the prior year restated. (Note I.F.) The increase in net assets reflects the degree to which revenues exceeded expenditures for fiscal year 2006, net of changes to beginning net assets. (See note I.F)
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,387,445, an increase of \$1,298,910 in comparison with the prior year. Of the combined ending balances, \$8,039,177 or 85.6 percent is available for spending within the City's guidelines (*unreserved fund balance*).
- The City's unreserved fund balance for the general fund was \$5,574,039, or 54.7 percent of total budgeted general fund expenditures for fiscal year 2006-07.
- The City's long term liabilities of \$16,557,667 decreased \$1,802,652 or 9.8 percent during fiscal year 2006 (Prior year restated, see note I.F.). The decrease reflects the retirement of debt, including the Series 2001 and 2004 Limited Tax Notes and the Series 1994 Combination Tax and Revenue Certificates of Obligation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Corinth's basic financial statements. The City of Corinth basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others to whom the resources in question belong.

Required Components of the City's Annual Financial Report



Management's Discussion and Analysis

Figure 1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net assets* presents information on all of the City of Corinth's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Corinth is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include public safety, fire services, community services, planning and community development, public works, city administration, finance and administrative services and debt service. The business-type activities are the water and wastewater utility and the storm water utility funds.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Corporation as a component unit for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 25 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Corinth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for

Figure 1, Major Feature of the City's Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Fund Statements		
		Governmental	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses or self insurance funds	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> Statement of net assets Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures & changes in fund balance 	<ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenditures & changes in fund net assets Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; may contain capital assets
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenue and expenses during year, regardless of when cash is received or paid	All revenue and expenses during year, regardless of when cash is received or paid

Management's Discussion and Analysis

governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Corinth maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund, which are considered to be major funds. Data from the non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Corinth adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 28 of this report.

Proprietary funds. The City of Corinth maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Corinth uses enterprise funds to account for its water and wastewater operations and for its storm water utility fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Corinth used an internal service fund to account for its previously self-funded employee and enrolled dependents health benefits program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater utility fund, the storm water utility fund and the internal service fund. The water and wastewater utility fund is considered to be a major fund of the City.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$70,406,764 at the close of the most recent fiscal year.

By far the largest portion of the City of Corinth's net assets (83.7 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Corinth uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Corinth's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets (4.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,459,131) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year the City of Corinth is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year as restated. (Note I.F.)

There was a decrease in restricted net assets reported in the City of Corinth's business-type activities which resulted from the removal of restrictions on certain assets associated with revenue bonds that were retired during the current fiscal year.

Management's Discussion and Analysis

TABLE I
City of Corinth Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 10,373,984	\$ 9,615,021	\$ 3,756,375	\$ 3,233,527	\$ 14,130,359	\$ 12,848,548
Capital assets	57,961,990	59,999,370	16,616,175	15,640,355	74,578,165	75,639,725
Total assets	68,335,974	69,614,391	20,372,550	18,873,882	88,708,524	88,488,273
Long-term liabilities outstanding	13,683,966	13,602,850	2,873,701	2,842,404	16,557,667	16,445,254
Other liabilities	671,650	2,521,305	1,072,443	1,447,383	1,744,093	3,968,688
Total liabilities	14,355,616	16,124,155	3,946,144	4,289,787	18,301,760	20,413,942
Net assets:						
Invested in capital assets, net of related debt	45,102,746	46,286,313	13,801,367	12,462,107	58,904,113	58,748,420
Restricted	2,951,097	977,578	-	1,364,100	2,951,097	2,341,678
Unrestricted	5,926,515	6,226,345	2,625,039	799,118	8,551,554	7,025,463
Total net assets	\$ 53,980,358	\$ 53,490,236	\$ 16,426,406	\$ 14,625,325	\$ 70,406,764	\$ 68,115,561

* 2005 as restated, Note I.F.

Governmental activities. As stated above, governmental activities increased net assets by \$490,122. A detailed examination of all the elements effecting net assets can be found in Table II.

TABLE II
City of Corinth Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 1,908,527	\$ 1,770,454	\$ 8,989,499	\$ 7,495,975	\$ 10,898,026	\$ 9,266,429
Operating grants and contributions	211,840	159,282	-	-	211,840	159,282
Capital grants and contributions	688,101	5,786	1,265,180	1,208,704	1,953,281	1,214,490
General revenues						
Property taxes	6,894,264	6,841,794	-	-	6,894,264	6,841,794
Sales taxes	1,441,016	1,114,945	-	-	1,441,016	1,114,945
Franchise taxes	1,289,688	742,121	-	-	1,289,688	742,121
Other taxes	-	4,169	-	-	-	4,169
Investment interest	427,974	114,676	19,983	120,741	447,957	235,417
Miscellaneous	37,083	236,163	95,712	19,606	132,795	255,769
Total Revenues	\$ 12,898,493	\$ 10,989,390	\$ 10,370,374	\$ 8,845,026	\$ 23,268,867	\$ 19,834,416
Expenses:						
Public safety	2,570,307	2,157,623	-	-	2,570,307	2,157,623
Lake Cities Fire Department	1,565,570	1,475,376	-	-	1,565,570	1,475,376
Community services	1,649,758	-	-	-	1,649,758	-
Culture - recreation	-	1,173,264	-	-	-	1,173,264
Public works	4,105,885	-	-	-	4,105,885	-
Highways and streets	-	3,415,957	-	-	-	3,415,957
Planning and community development	596,687	-	-	-	596,687	-
Community development	-	350,040	-	-	-	350,040
Economic development	-	206,577	-	-	-	206,577
General government	-	1,811,599	-	-	-	1,811,599
City administration	594,134	-	-	-	594,134	-
Finance and administrative services	725,165	-	-	-	725,165	-
Interest on long-term debt	578,365	769,953	-	-	578,365	769,953
Water and wastewater	-	-	8,384,025	7,775,047	8,384,025	7,775,047
Drainage	-	-	207,768	295,597	207,768	295,597
Total Expenses	\$ 12,385,871	\$ 11,360,389	\$ 8,591,793	\$ 8,070,644	\$ 20,977,664	\$ 19,431,033
Increase (decrease) in net assets before transfers and contributions	512,622	(370,999)	1,778,581	774,382	2,291,203	403,383
Net transfers	(22,500)	(486,669)	22,500	485,120	-	(1,549)
Increase (decrease) in net assets	490,122	(857,668)	1,801,081	1,259,502	2,291,203	401,834
Net assets - beginning, as restated (see Note I.F.)	53,490,236	54,347,904	14,625,325	13,365,823	68,115,561	67,713,727
Net assets - ending	\$ 53,980,358	\$ 53,490,236	\$ 16,426,406	\$ 14,625,325	\$ 70,406,764	\$ 68,115,561

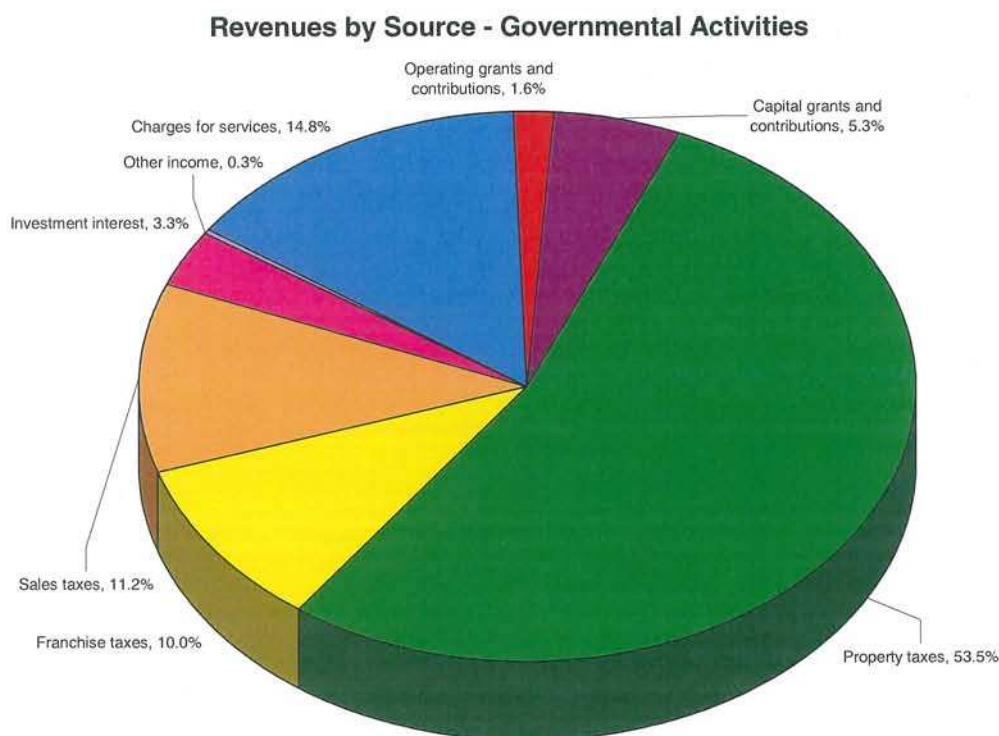
Management's Discussion and Analysis

City of Corinth's Changes in Net Assets

This year, in the general fund, revenues exceeded expectations by a total of \$888,110. Franchise taxes exceeded budget expectations by \$397,295; sales tax exceeded budget by \$155,133 as well. The City began an active investment program in fiscal year 2006, which resulted in \$379,142 in investment interest, almost \$310,000 over the budgeted amount. Most of the City's revenue streams saw considerable growth for the year. The City of Corinth reduced the property tax rate from .5606 per \$100 to .55698 which is reflected in a less than one percent increase in property tax collections over last year. Expenditures were less than budget by \$735,309 due to intentional reductions in spending for budgeted items by the City.

Revenues by Source – Governmental Activities

Property taxes, charges for services, sales taxes and franchise taxes provide 89.5 percent of the revenues for the governmental activities. The chart below (Figure 2) provides a graphic representation of the City's revenues by source.

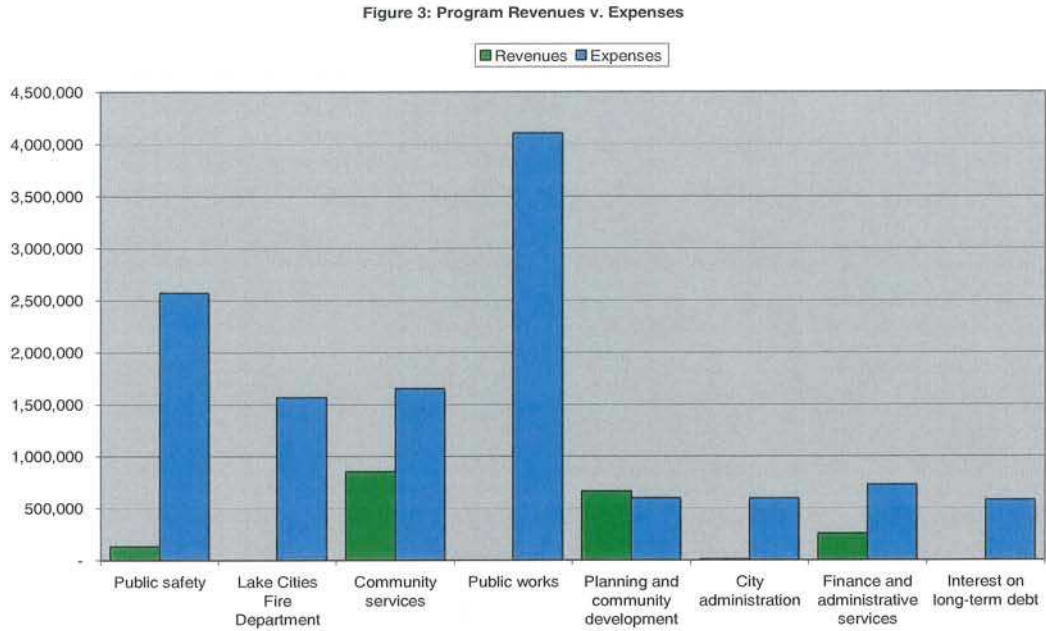


Expenses and Program Revenues –Governmental Activities

Public safety, community services, planning and community development and public works account for 72 percent of the expenditures for the governmental activities. Another 12.6 percent is represented by the City of Corinth's portion of the Lake Cities Fire Department. Each of the four Lake Cities, Corinth, Lake Dallas, Hickory Creek and Shady Shores, is responsible for a portion of the LCFD's annual budget, based on each city's anticipated needs. The LCFD pays the City of Corinth an administrative fee for payroll services; in fiscal year 2005-06 the fee was \$25,000. City administration, finance and administrative services and interest on long-term debt account for the remaining 15.4 percent of total expenditures .

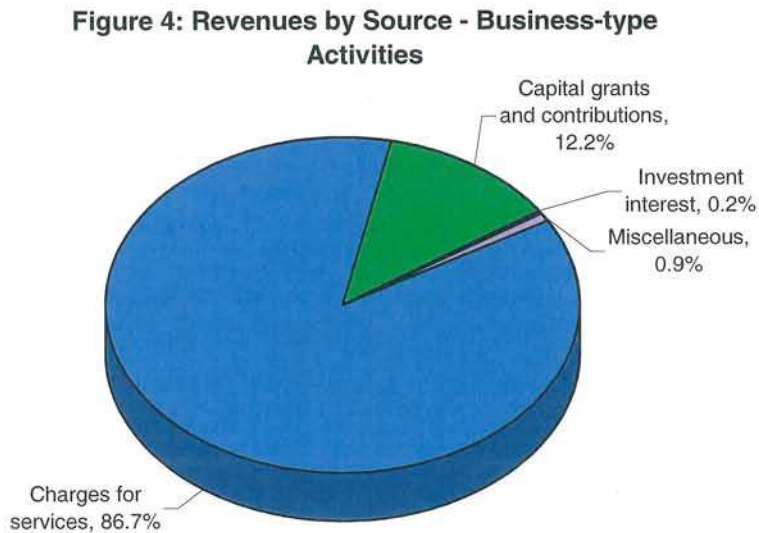
Management's Discussion and Analysis

Figure 3 provides a graphic representation of the City's expenditures and any directly related revenues by source.



Revenues by Source – Business-type Activities

Business-type activities increased the City's net assets by \$1,801,081. Charges for services account for 86.7 percent of the revenue. Of the \$8,989,499 in charges for service revenue, water and wastewater charges account for \$8,624,995 and storm water utility charges \$364,504 of the revenue. The remaining 13.3 percent of revenue is made up of capital grants and contributions including impact fees and developer contributions to infrastructure, investment interest and other miscellaneous revenue. (See Figure 4)



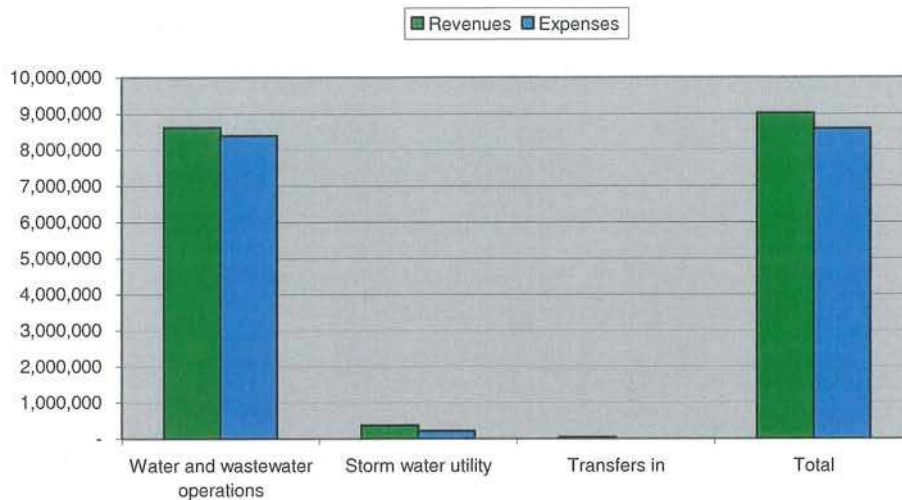
Management's Discussion and Analysis

Expenses and Program Revenues – Business-type Activities

Total revenue from water and wastewater sales and services was \$8,624,995; associated costs of water, wastewater treatment, operations and maintenance accounted for \$8,384,025 of the total business-type expenses of \$8,591,793. The remaining \$207,768 is made up of storm water utility costs.

The following chart (Figure 5) provides a graphic representation of the City's business-type expenses and any directly related revenues by source.

Figure 5: Program Revenues v. Expenses



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,387,445 an increase of \$1,289,910 due to:

- a net increase in the general fund balance of \$1,585,890
- a net decrease in the debt service fund of (\$551,902)
- a net decrease in the capital projects fund of (\$209,173)
- a net increase in the special revenue funds of 474,095. The Corinth Crime Control and Prevention District, which was previously reported as a discreet component unit, has been included in the special revenue funds. The District is a blended component unit because the governing body is substantively the same as the governing body of the City and the sales tax collected by the District is used for the exclusive or almost exclusive benefit of the primary government.

Of the combined total governmental fund balances of \$9,387,445, \$5,574,039 (59.4 percent) reflects the general fund unreserved fund balance which is available for spending at the government's discretion. The fund balance

Management's Discussion and Analysis

that is designated as *reserved* is not available for new spending because it has already been committed for one of the following reasons:

- to liquidate contracts and purchase orders (encumbrances) of the prior period, \$41,440
- to pay debt service in future periods, \$1,259,957
- reserved for prepaid items, \$2,213
- amount represented by inventories, \$44,658

General Fund. The general fund is the chief operating fund of the City of Corinth. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,574,039, while total fund balance reached \$5,662,350. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total budgeted fund expenditures for the upcoming fiscal year. Unreserved fund balance represents 54.6 percent of total budgeted general fund expenditures for fiscal year 2006-07, while total fund balance represents 55.5 percent of that same amount.

Key factors in the increase to fund balance of the general fund are as follows:

- Franchise tax collections exceeded budget by \$397,295 due to electric utility payments in excess of the forecast by almost \$200,000 and several other unanticipated increases in payment amounts.
- Sales tax exceeded budget by \$155,133; sales tax growth was higher than forecast.
- Housing growth in the City also exceeded expectations, related fees and permits exceeded budget by \$63,052.
- Investment Interest exceeded budget by \$309,142; the City began an active investment program in fiscal year 2006.
- Transfers in included the unbudgeted closure of the internal service fund to the general fund and the subsequent transfer of \$22,500 to the water and wastewater and storm water utility funds to offset increasing health care costs.
- Actual expenditures were less than budget by \$735,309 because of intentional reductions in spending and vacancy savings.

Debt Service Fund. As part of the budgetary process, the government enacts a dedicated property tax for debt service each fiscal year. The debt service fund has a total fund balance of \$1,259,957, all of which is reserved for the payment of debt service. The net decrease in fund balance was a budgeted draw-down of excess fund balance represented by debt service on the retired 2004 Tax Notes.

Capital Projects Fund. The capital projects fund is used to track capital project expenditures by the City. No additional debt was issued for capital projects in fiscal year 2006; however, planned projects funded by previous debt issues continued, which represent the reduction in CIP fund balance of \$209,173.

Other Governmental Funds. The nonmajor governmental funds are the special revenue fund, 2007 streets CIP fund, Public Improvement District (PID) #1 fund, street maintenance sales tax fund, roadway impact fee fund and the Corinth Crime Control and Prevention District fund. Each of these funds is used to account for revenues and expenditures related to specific purposes.

- The special revenue fund saw a decrease in fund balance of (\$6,261) with the expenditure of developer park donation funds.
- The 2007 streets CIP was created in fiscal year 2006 with a transfer in of \$114,739 from the general fund as part of a reimbursement resolution to be repaid by debt issued in fiscal year 2007.
- The PID #1 fund was budgeted to collect \$5,000 in special assessment revenue; however in fiscal year 2006 the City collected over \$20,000 due to home sales within the district. The original PID required that the homeowner pay off the PID lien in full before a home within the district may be sold. The PID

Management's Discussion and Analysis

fund maintained a fund balance of \$2,959; the \$20,880 collected was transferred to the debt service fund to offset the payments on the 1995 Certificates of Obligation associated with the PID.

- The street maintenance sales tax fund accounts for the collection of a special sales tax of \$.0025. Sales tax collections exceeded budget by \$104,508 and expenditures were \$65,263 under budget due to planned expenditures postponed until fiscal year 2007. This fund had an increase to fund balance of \$111,419.
- The roadway impact fee fund was created in fiscal year 2006 to account for the collection and expenditure of impact fees levied as of January, 2006. Total collections for the fiscal year were \$163,206.
- The Corinth Crime Control and Prevention District is a special sales tax of \$.0025 levied for crime control and prevention within the City. Sales tax collections exceeded budget by \$49,375 and public safety expenditures were less than anticipated for the year, which is reflected in the \$90,992 increase in fund balance.

Proprietary funds

The City of Corinth's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The City maintains two enterprise funds, the water and wastewater fund and the storm water utility fund.

Water and Wastewater Fund. Water and wastewater fund assets of \$19,571,140 exceeded liabilities of \$3,849,306, reporting net assets of \$15,721,834.

- Total net assets increased \$1,204,022 during fiscal year 2006. A net gain from operations of \$399,404 follows a prior year net loss from operations of \$420,242. Current year water consumption was high, due to the ongoing decline in the amount of rainfall during the spring and summer in comparison with previous years.
- Net non-operating expenses were \$51,014, which included investment interest, debt service interest and amortization of bond issue costs.
- Total capital contributions and transfers were \$855,632. Water and wastewater impact fees totaled \$392,639 and developer contributions were \$442,993. A \$20,000 transfer to offset increased health care cost was made from the general fund. Unrestricted net assets for the water and wastewater fund increased from \$799,118 in fiscal year 2005 to \$2,330,355 for fiscal year 2006.
- A five-year water and wastewater capital improvement plan and rate increase plan was adopted for fiscal years 2007-2011.

Storm Water Utility Fund. Storm water utility fund assets of \$801,410 exceeded liabilities of \$96,838, leaving total net assets of \$704,572.

- Previously the storm water utility fund was reported as part of the water and wastewater fund. Of the ending net assets for that fund as of September 30, 2005 of \$14,625,325, \$107,513 was storm water utility related. Additionally, the \$799,118 in unrestricted net assets included \$107,513 of unrestricted funds now reported in the storm water utility fund.
- Total net assets increased \$597,059 of which \$294,684 is unrestricted. The storm water utility reported a net gain from operations of \$160,890 in fiscal year 2006.
- Net non-operating income was \$4,121. Developer contribution totaled \$429,548 and the general fund transferred \$2,500 to the storm water utility fund to offset increased health care costs.

Management's Discussion and Analysis

General Fund Budgetary Highlights

During the year the following changes to budgeted appropriations were submitted as budget amendments and approved by the City Council:

1. \$200,000 was added to the Police Department expenditure budget for the addition of a traffic division comprised of two motorcycle officers. An offsetting amendment to general fund revenue of \$200,000 was projected as a result of the addition of the traffic division. Approved October 6, 2005, ordinance number 05-10-06-23.
2. \$26,800 was added to the Municipal Court expenditure budget for salary, benefits and other related costs of hiring one additional court clerk. Approved April 6, 2006, ordinance number 06-04-06-11.
3. \$69,000 was added to the Corinth Economic Development Corporation expenditures and revenue to account for a transfer from the general fund to offset salary and benefit costs. The general fund budget was reduced by \$77,631 in expenditures with the agreement that the CEDC would pay a portion of the salary and benefits of CEDC staff. Approved January 5, 2006, ordinance number 06-01-05-01. (Approved by the CEDC Board 12/07/2006)

Analysis of significant budget variances. The new traffic division of the police department was projected to increase municipal court revenue by \$200,000; however, the additional revenue over the prior year exceeded \$260,000. The final adopted budget included in revenue the amount collected for the State, which was then expensed in the municipal court division of the community services department. The City changed its accounting method for this revenue during fiscal year 2006; the portion of revenue due to the State is now recorded as a liability. Thus, both the revenue and expenditure appear considerably under budget for the fiscal year. Of the budget variances, (\$174,805) in fines and forfeiture revenue and \$445,520 in community services expenditures, \$353,361 is represented by the portion of fines collected by the City payable to the State of Texas.

The Internal Service Fund, used to account for the City's self-insurance through fiscal year 2003-04, was closed to the general fund, which is reflected in the \$224,509 positive budget variance in General Fund transfers in. Transfers of a portion of these funds were budgeted in the amount of \$84,500 to the General Fund, \$20,000 to the Water and Wastewater Fund and \$2,500 to the Storm Water Utility Fund to partially offset the increasing cost of employee health insurance coverage.

The Recreation Fund, a minor special revenue fund, was also closed to the General Fund for reporting purposes in fiscal year 2005-06. The Recreation Fund was not self-supporting and maintained a fund balance of less than one-half of one percent of the total governmental fund balance. All salaries and benefits related to recreation programs were paid by the General Fund. Recreation revenue and expenditures are reported in community services in the government-wide and fund-level statements.

Overall, expenditures in the General Fund were less than budget by \$735,309 due to offsetting departmental budgeted variances and city-wide vacancy savings. See Exhibit B-1: General Fund Budgetary Comparison Schedule for more information on budget variances.

Capital Assets and Debt Administration

Capital assets. The City of Corinth's investment in capital assets for its governmental and business type activities as of September 30, 2006, amounts to \$74,578,165 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities and infrastructure. The total change in the City's investment in capital assets for the current fiscal year represents purchases, retirements and construction in progress for infrastructure as of September 30, 2006. In order to comply with the Governmental Accounting Standard Board (GASB) Statement 34, an inventory and valuation of the historical cost of Corinth streets was completed in fiscal year 2006.

Management's Discussion and Analysis

**TABLE III
CAPITAL ASSETS AT YEAR-END**

	Governmental Activities		Business-Type Activities		TOTAL	
	2006	2005*	2006	2005*	2006	2005*
Land	\$ 234,267	\$ 184,251	\$ 300,273	\$ 300,273	\$ 534,540	\$ 484,524
Buildings	5,175,350	5,087,037	229,633	230,818	5,404,983	5,317,855
Infrastructure	72,453,468	71,906,744	15,073,447	14,146,624	87,526,915	86,053,368
Improvements other than buildings	275,282	275,282	-	-	275,282	275,282
Office equipment	244,442	228,797	97,304	145,046	341,746	373,843
Parks equipment	491,648	380,061	-	-	491,648	380,061
Automobiles & machinery	2,044,422	1,877,831	1,051,427	1,038,851	3,095,849	2,916,682
Construction in progress	6,765,378	6,747,886	4,931,629	4,463,551	11,697,007	11,211,437
Total capital assets	\$ 87,684,257	\$ 86,687,889	\$ 21,683,713	\$ 20,325,163	\$ 109,367,970	\$ 107,013,052

* Fiscal year 2005 as restated, see Note I.F.

Readers desiring more detailed information on capital asset activity should see note III.E. in the Notes to Basic Financial Statements on page 49.

Long-term debt. At the end of the current fiscal year, The City had total bonded debt outstanding of \$16,175,000 consisting of General Obligation Bonds and Certificates of Obligation. The City issued \$5,080,000 in refunding bonds during fiscal year 2006. All debt payments were made when due. Outstanding debt decreased in fiscal year 2006 by \$1,675,000. (see Note III.E.)

**TABLE IV
OUTSTANDING DEBT AT YEAR-END**

	Governmental Activities		Business-Type Activities		TOTAL	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 13,257,400	\$ 13,121,000	\$ 2,782,600	\$ 2,889,000	\$ 16,040,000	\$ 16,010,000
Certificates of Obligation and Tax Notes	135,000	1,640,000	-	200,000	135,000	1,840,000
Total outstanding debt	\$ 13,392,400	\$ 14,761,000	\$ 2,782,600	\$ 3,089,000	\$ 16,175,000	\$ 17,850,000

The City of Corinth's rating on its outstanding debt is "A+" from Standard & Poor's and "A2" from Moody's. The City received a rating increase from Standard & Poor's from "A" to "A+" in January, 2007. Additional information on the City's long-term debt can be found in this report in the notes to the financial statements. (see Note III.E.)

Economic Factors and Next Year's Budgets and Rates

The City of Corinth saw significant growth in franchise tax collections in fiscal year 2006. Additionally, in spite of the slowdown in the housing market, Corinth continued to experience some growth in the property tax base. Net taxable values grew \$28.8 million or 2.40 percent.

The City's population growth has been slow but steady for the past few years; estimates increased from 17,600 in 2004 to 17,800 in 2005 and 18,550 in 2006. Denton County's unemployment rate at September 30, 2006 was 3.8 percent, down from 4.1 percent in September, 2005.

All of these factors were considered in preparing The City's budget for the 2007 fiscal year. The operating budget for the 2007 fiscal year that was developed by City management and approved by the City's elected officials focused on preparing a baseline budget maintaining the current service level. Expenditures in fiscal year 2007 are anticipated to be higher due to high fuel and health care costs and the increase in cost of many basic materials, including concrete. The City of Corinth adopted a balanced budget for fiscal year 2007.

The 2005-06 adopted budget authorized the use of current year's revenues as well as available fund balance to fund 2005-06 expenditures. Actual numbers for 2005-06 show just the opposite; an increase to fund balance in the general fund of \$1,585,890 was achieved with higher than expected revenues and a favorable expenditure variance (actual expenditures less than budgeted). The favorable variance is due primarily to employee vacancy savings and revised cost estimates resulting in overall cost savings.

Management's Discussion and Analysis

The City Council approved maintaining the overall ad valorem rate of \$.55698 for fiscal year 2007. General operations and maintenance will receive \$.45239 of the total and the remaining \$.10459 and a budgeted use of debt service fund balance will fund long-term debt of the City.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, City of Corinth, 3300 Corinth Parkway, Corinth, Texas, 76208.



Basic Financial Statements

This page intentionally left blank.

CITY OF CORINTH, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Cash and cash equivalents</i>	\$ 1,236,941	\$ 557,571	\$ 1,794,512	\$ 124,851
<i>Investments</i>	6,692,370	1,794,626	8,486,996	1,098,579
<i>Receivables (net of allowances for uncollectibles):</i>	1,234,387	1,268,974	2,503,361	108,007
<i>Special assessments</i>	39,971	--	39,971	--
<i>Due from component unit</i>	10,306	--	10,306	--
<i>Inventories</i>	44,658	117,846	162,504	--
<i>Prepaid items</i>	2,213	--	2,213	--
Restricted Assets:				
<i>Cash and cash equivalents</i>	249,186	--	249,186	--
<i>Investments</i>	802,406	--	802,406	--
<i>Deferred charges</i>	61,546	17,358	78,904	--
Capital assets not being depreciated:				
<i>Land</i>	234,267	300,273	534,540	--
<i>Construction in progress</i>	6,765,378	4,931,629	11,697,007	--
Capital assets (net of accumulated depreciation):				
<i>Buildings</i>	4,530,792	151,519	4,682,311	--
<i>Machinery and equipment</i>	1,181,449	198,735	1,380,184	--
<i>Infrastructure</i>	45,250,104	11,034,019	56,284,123	--
Total Assets	68,335,974	20,372,550	88,708,524	1,331,437
LIABILITIES:				
<i>Accounts payable</i>	187,557	652,538	840,095	159,335
<i>Accrued liabilities</i>	242,147	39,192	281,339	3,215
<i>Accrued interest payable</i>	77,849	18,003	95,852	--
<i>Municipal court bonds</i>	52,426	--	52,426	--
<i>Customer meter deposits</i>	--	348,490	348,490	--
<i>Other liabilities</i>	111,671	14,220	125,891	111
<i>Due to primary government</i>	--	--	--	10,306
Noncurrent Liabilities:				
<i>Due within one year</i>	794,660	199,603	994,263	--
<i>Due in more than one year</i>	12,889,306	2,674,098	15,563,404	--
Total Liabilities	14,355,616	3,946,144	18,301,760	172,967
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	45,102,746	13,801,367	58,904,113	--
Restricted For:				
Debt Service	1,371,008	--	1,371,008	--
Capital Projects	1,672,512	--	1,672,512	--
Unrestricted	5,834,092	2,625,039	8,459,131	1,158,470
Total Net Assets	\$ 53,980,358	\$ 16,426,406	\$ 70,406,764	\$ 1,158,470

The accompanying notes are an integral part of this statement.

CITY OF CORINTH, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
<i>Public safety</i>	\$ 2,570,307	\$ 133,700	\$ 174,970	\$ --
<i>Lake Cities Fire Department</i>	1,565,570	--	8,138	--
<i>Community services</i>	1,649,758	853,092	100	--
<i>Public works</i>	4,105,885	--	--	688,101
<i>Planning and community development</i>	596,687	661,209	28,632	--
<i>City Administration</i>	594,134	7,890	--	--
<i>Finance and administrative services</i>	725,165	252,636	--	--
<i>Interest on long-term debt</i>	578,365	--	--	--
Total Governmental Activities	<u>12,385,871</u>	<u>1,908,527</u>	<u>211,840</u>	<u>688,101</u>
Business-type Activities:				
Water and Wastewater	8,384,025	8,624,995	--	835,632
Storm Water Utility	207,768	364,504	--	429,548
Total Business-type Activities	<u>8,591,793</u>	<u>8,989,499</u>	<u>--</u>	<u>1,265,180</u>
Total Primary Government	<u>\$ 20,977,664</u>	<u>\$ 10,898,026</u>	<u>\$ 211,840</u>	<u>\$ 1,953,281</u>
COMPONENT UNIT:				
4 (B) Corporation	<u>\$ 332,086</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

General Revenues:
Property taxes
Sales taxes
Franchise taxes
Miscellaneous income
Unrestricted investment earnings
 Transfers
 Total General Revenues
 Change in Net Assets
 Net Assets - Beginning
 Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,261,637)		\$ (2,261,637)	
(1,557,432)		(1,557,432)	
(796,566)		(796,566)	
(3,417,784)		(3,417,784)	
93,154		93,154	
(586,244)		(586,244)	
(472,529)		(472,529)	
(578,365)		(578,365)	
<u>(9,577,403)</u>		<u>(9,577,403)</u>	
--	\$ 1,076,602	1,076,602	
--	586,284	586,284	
--	<u>1,662,886</u>	<u>1,662,886</u>	
<u>(9,577,403)</u>	<u>1,662,886</u>	<u>(7,914,517)</u>	
			\$ (332,086)
6,894,264	--	6,894,264	--
1,441,016	--	1,441,016	496,998
1,289,688	--	1,289,688	--
37,082	19,983	57,065	--
427,975	95,712	523,687	48,266
(22,500)	22,500	--	--
<u>10,067,525</u>	<u>138,195</u>	<u>10,205,720</u>	<u>545,264</u>
490,122	1,801,081	2,291,203	213,178
53,490,236	14,625,325	68,115,561	945,292
<u>\$ 53,980,358</u>	<u>\$ 16,426,406</u>	<u>\$ 70,406,764</u>	<u>\$ 1,158,470</u>

CITY OF CORINTH, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	General Fund	Debt Service Fund
ASSETS	<u> </u>	<u> </u>
<i>Cash and cash equivalents</i>	\$ 632,954	\$ 310,063
<i>Investments</i>	4,799,757	946,153
Receivables (net of allowances for uncollectibles):		
<i>Property taxes</i>	64,135	22,370
<i>Sales taxes</i>	216,017	--
<i>Accounts</i>	100,093	--
<i>Interest</i>	15,431	--
<i>Warrants</i>	226,510	--
<i>Other</i>	277,975	--
<i>Due from other governments</i>	203,564	--
<i>Special assessments</i>	--	--
<i>Due from other funds</i>	20,000	--
<i>Due from component unit</i>	10,306	--
<i>Inventories</i>	44,658	--
<i>Prepaid items</i>	2,213	--
Restricted Assets:		
<i>Cash and cash equivalents</i>	--	--
<i>Investments</i>	--	--
	<u> </u>	<u> </u>
Total Assets	\$ 6,613,613	\$ 1,278,586
	<u> </u>	<u> </u>
LIABILITIES:		
<i>Accounts payable</i>	\$ 153,645	\$ --
<i>Accrued liabilities</i>	240,691	--
<i>Municipal court bonds</i>	52,426	--
<i>Due to other funds</i>	114,739	--
<i>Other liabilities</i>	111,516	--
<i>Deferred revenue</i>	278,246	18,629
Noncurrent Liabilities:		
	<u> </u>	<u> </u>
Total Liabilities	951,263	18,629
	<u> </u>	<u> </u>
Fund Balances:		
Reserved Fund Balances		
<i>Reserved for inventories</i>	44,658	--
<i>Reserved for prepaid items</i>	2,213	--
<i>Reserved for encumbrances</i>	41,440	--
<i>Reserved for debt service</i>	--	1,259,957
Unreserved, reported in:		
<i>General Fund</i>	5,574,039	--
<i>Special Revenue Funds</i>	--	--
<i>Capital Projects Funds</i>	--	--
Total Fund Balances	5,662,350	1,259,957
	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ 6,613,613	\$ 1,278,586
	<u> </u>	<u> </u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 178,600	\$ 115,324	\$ 1,236,941
575,108	371,352	6,692,370
--	--	86,505
--	92,383	308,400
--	15,909	116,002
--	--	15,431
--	--	226,510
--	--	277,975
--	--	203,564
--	39,972	39,972
--	117,279	137,279
--	--	10,306
--	--	44,658
--	--	2,213
191,523	57,663	249,186
616,725	185,681	802,406
<u>\$ 1,561,956</u>	<u>\$ 995,563</u>	<u>\$ 10,449,718</u>
\$ 4,183	\$ 29,729	\$ 187,557
--	1,456	242,147
--	--	52,426
--	22,540	137,279
--	155	111,671
--	34,318	331,193
<u>4,183</u>	<u>88,198</u>	<u>1,062,273</u>
--	--	44,658
--	--	2,213
--	--	41,440
--	--	1,259,957
--	--	5,574,039
--	792,626	792,626
1,557,773	114,739	1,672,512
<u>1,557,773</u>	<u>907,365</u>	<u>9,387,445</u>
<u>\$ 1,561,956</u>	<u>\$ 995,563</u>	<u>\$ 10,449,718</u>

CITY OF CORINTH, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2006

Total fund balances - governmental funds balance sheet	\$ 9,387,445
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	57,961,989
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	70,365
Payables for bond principal which are not due in the current period are not reported in the funds.	(13,302,199)
Payables for capital leases which are not due in the current period are not reported in the funds.	(87,646)
Payables for bond interest which are not due in the current period are not reported in the funds.	(77,848)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(294,121)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	61,546
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	226,510
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>34,318</u>
Net assets of governmental activities - statement of net assets	<u>\$ 53,980,358</u>

The accompanying notes are an integral part of this statement.

This page intentionally left blank.

CITY OF CORINTH, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General Fund	Debt Service Fund
	<u> </u>	<u> </u>
Revenue:		
Taxes:		
<i>Property</i>	\$ 5,343,072	\$ 1,544,530
<i>Franchise</i>	1,289,688	--
<i>Sales</i>	999,133	--
<i>Fees and permits</i>	661,652	--
<i>Fines and forfeitures</i>	657,395	--
<i>Charges for services</i>	468,651	--
<i>Interest income</i>	379,142	--
<i>Park donations</i>	1,500	--
<i>Roadway impact fees</i>	--	--
<i>Intergovernmental</i>	58,138	--
<i>Miscellaneous income</i>	70,046	--
<i>Child safety fines</i>	--	--
<i>Municipal court security</i>	--	--
<i>Municipal court technology</i>	--	--
Total revenues	<u>9,928,417</u>	<u>1,544,530</u>
Expenditures:		
Current:		
<i>Public safety</i>	2,427,549	--
<i>Lake Cities Fire Department</i>	1,565,570	--
<i>Community services</i>	1,528,774	--
<i>Public works</i>	1,289,676	--
<i>Planning and community development</i>	584,199	--
<i>City Administration</i>	471,180	--
<i>Finance and administrative services</i>	669,849	--
Debt Service:		
<i>Principal</i>	--	1,437,500
<i>Interest</i>	--	580,911
<i>Paying agent fees</i>	--	6,478
<i>Bond issuance costs</i>	--	65,363
Total Expenditures	<u>8,536,797</u>	<u>2,090,252</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,391,620</u>	<u>(545,722)</u>
Other Financing Sources (Uses):		
<i>Transfers in</i>	309,009	20,880
<i>Transfers out</i>	(114,739)	--
<i>Refunding debt issued</i>	--	3,962,400
<i>Premiums on debt issued</i>	--	65,061
<i>Discount on debt issued</i>	--	(28,789)
<i>Payment to Refunded Bond Escrow Agent</i>	--	(4,025,732)
Total Other Financing Sources (Uses)	<u>194,270</u>	<u>(6,180)</u>
Net Change in Fund Balances	1,585,890	(551,902)
Fund Balances - Beginning	<u>4,076,460</u>	<u>1,811,859</u>
Fund Balances - Ending	<u>\$ 5,662,350</u>	<u>\$ 1,259,957</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 6,887,602
--	--	1,289,688
--	441,883	1,441,016
--	--	661,652
--	--	657,395
--	--	468,651
36,239	12,594	427,975
--	119,070	120,570
--	160,578	160,578
--	6,000	64,138
--	21,225	91,271
--	20,458	20,458
--	17,319	17,319
--	22,957	22,957
<u>36,239</u>	<u>822,084</u>	<u>12,331,270</u>
--	104,728	2,532,277
--	--	1,565,570
--	193,383	1,722,157
245,412	143,737	1,678,825
--	--	584,199
--	--	471,180
--	--	669,849
--	--	1,437,500
--	--	580,911
--	--	6,478
--	--	65,363
<u>245,412</u>	<u>441,848</u>	<u>11,314,309</u>
(209,173)	380,236	1,016,961
--	114,739	444,628
--	(20,880)	(135,619)
--	--	3,962,400
--	--	65,061
--	--	(28,789)
--	--	(4,025,732)
<u>--</u>	<u>93,859</u>	<u>281,949</u>
(209,173)	474,095	1,298,910
1,766,946	433,270	8,088,535
<u>\$ 1,557,773</u>	<u>\$ 907,365</u>	<u>\$ 9,387,445</u>

CITY OF CORINTH, TEXAS

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006*

Net change in fund balances - total governmental funds	\$ 1,298,910
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	474,650
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,033,749)
Donations of capital assets increase net assets in the SOA but not in the funds.	527,523
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	6,662
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	4,091,095
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,437,500
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	40,284
Bond issuance costs and similar items are amortized in the SOA but not in the funds	(3,817)
(Increase) decrease in accrued interest from beginning of period to end of period	12,841
The net revenue (expense) of internal service funds is reported with governmental activities.	(331,509)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(64,633)
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	58,595
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(25,556)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(3,962,400)
Bond premiums are reported in the funds but not in the SOA.	(65,061)
Bond discounts are reported in the funds but not in the SOA.	28,787
Change in net assets of governmental activities - statement of activities	\$ <u>490,122</u>

The accompanying notes are an integral part of this statement.

CITY OF CORINTH, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2006

	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds
	Water and Wastewater	Storm Water Utility	
ASSETS:			
Current Assets:			
<i>Cash and cash equivalents</i>	\$ 492,436	\$ 65,135	\$ 557,571
<i>Investments</i>	1,584,886	209,740	1,794,626
Receivables (net of allowances for uncollectibles):			
<i>Accounts</i>	1,239,973	29,001	1,268,974
<i>Inventories</i>	117,846	--	117,846
Total Current Assets	<u>3,435,141</u>	<u>303,876</u>	<u>3,739,017</u>
Noncurrent Assets:			
<i>Deferred charges</i>	17,358	--	17,358
Capital Assets:			
<i>Land</i>	300,273	--	300,273
<i>Construction in Progress</i>	4,931,629	--	4,931,629
<i>Buildings</i>	229,633	--	229,633
<i>Machinery and Equipment</i>	1,041,385	107,346	1,148,731
<i>Infrastructure</i>	14,643,898	429,548	15,073,446
<i>Less Accumulated Depreciation</i>	(5,028,177)	(39,360)	(5,067,537)
Total Capital Assets (net of accumulated depreciation)	<u>16,118,641</u>	<u>497,534</u>	<u>16,616,175</u>
Total Noncurrent Assets	<u>16,135,999</u>	<u>497,534</u>	<u>16,633,533</u>
 Total Assets	 <u>\$ 19,571,140</u>	 <u>\$ 801,410</u>	 <u>\$ 20,372,550</u>
LIABILITIES:			
Current Liabilities:			
<i>Accounts payable</i>	\$ 649,732	\$ 2,806	\$ 652,538
<i>Accrued liabilities</i>	36,182	3,010	39,192
<i>Accrued interest payable</i>	15,948	2,055	18,003
<i>Customer meter deposits</i>	348,490	--	348,490
<i>Other current liabilities</i>	14,220	--	14,220
<i>Current portion of capital lease obligations</i>	--	20,548	20,548
<i>Current portion of general obligation bonds</i>	183,250	--	183,250
Total Current Liabilities	<u>1,247,822</u>	<u>28,419</u>	<u>1,276,241</u>
Noncurrent Liabilities:			
<i>Compensated absences</i>	57,572	1,321	58,893
<i>Capital lease obligations</i>	--	67,098	67,098
<i>General obligation bonds</i>	2,543,912	--	2,543,912
Total Noncurrent Liabilities	<u>2,601,484</u>	<u>68,419</u>	<u>2,669,903</u>
Total Liabilities	<u>3,849,306</u>	<u>96,838</u>	<u>3,946,144</u>
NET ASSETS:			
<i>Investment in capital assets, net of related debt</i>	13,391,479	409,888	13,801,367
<i>Unrestricted Net Assets</i>	<u>2,330,355</u>	<u>294,684</u>	<u>2,625,039</u>
Total Net Assets	<u>\$ 15,721,834</u>	<u>\$ 704,572</u>	<u>\$ 16,426,406</u>

The accompanying notes are an integral part of this statement.

CITY OF CORINTH, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Nonmajor Internal Service Fund
	Water and Wastewater	Storm Water Utility		Internal Service
OPERATING REVENUES:				
<i>Water sales</i>	\$ 4,562,477	\$ --	\$ 4,562,477	\$ --
<i>Sewer disposal</i>	2,878,432	--	2,878,432	--
<i>Storm drainage fees</i>	--	364,504	364,504	--
<i>Garbage</i>	818,546	--	818,546	--
<i>Penalties and reconnect fees</i>	198,806	--	198,806	--
<i>Tap and service fees</i>	135,529	--	135,529	--
<i>Inspections</i>	31,205	--	31,205	--
Total Operating Revenues	<u>8,624,995</u>	<u>364,504</u>	<u>8,989,499</u>	<u>--</u>
OPERATING EXPENSES:				
<i>Amortization</i>	34,965	--	34,965	--
<i>General government (administrative)</i>	190,000	--	190,000	--
<i>Infrastructure maintenance</i>	791,876	--	791,876	--
<i>Water purchases</i>	2,886,306	--	2,886,306	--
<i>Sewer treatment fees</i>	1,245,368	--	1,245,368	--
<i>Garbage contract fees</i>	784,295	--	784,295	--
<i>Salaries and benefits</i>	1,115,717	125,235	1,240,952	--
<i>Maintenance and supplies</i>	225,381	30,740	256,121	--
<i>Administration</i>	491,828	19,211	511,039	--
<i>Depreciation</i>	448,978	21,469	470,447	--
<i>Other</i>	10,877	6,959	17,836	--
Total Operating Expenses	<u>8,225,591</u>	<u>203,614</u>	<u>8,429,205</u>	<u>--</u>
Operating Income	<u>399,404</u>	<u>160,890</u>	<u>560,294</u>	<u>--</u>
NON-OPERATING REVENUES (EXPENSES):				
<i>Interest income</i>	87,437	8,275	95,712	--
<i>Miscellaneous income</i>	19,983	--	19,983	--
<i>Interest expense</i>	(158,434)	(4,154)	(162,588)	--
Total Non-operating Revenues (Expenses)	<u>(51,014)</u>	<u>4,121</u>	<u>(46,893)</u>	<u>--</u>
Income Before Contributions and Transfers	<u>348,390</u>	<u>165,011</u>	<u>513,401</u>	<u>--</u>
Contributions and Transfers				
<i>Special assessment - water and sewer impact fees</i>	392,639	--	392,639	--
<i>Contributions</i>	442,993	429,548	872,541	--
<i>Transfers in</i>	20,000	2,500	22,500	--
<i>Transfers out</i>	--	--	--	(331,509)
Total Contributions and Transfers	<u>855,632</u>	<u>432,048</u>	<u>1,287,680</u>	<u>(331,509)</u>
Change in Net Assets	<u>1,204,022</u>	<u>597,059</u>	<u>1,801,081</u>	<u>(331,509)</u>
Total Net Assets - Beginning	<u>14,517,812</u>	<u>107,513</u>	<u>14,625,325</u>	<u>331,509</u>
Total Net Assets - Ending	<u>\$ 15,721,834</u>	<u>\$ 704,572</u>	<u>\$ 16,426,406</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

CITY OF CORINTH, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Enterprise Funds			Service Funds
	Water and Sewer Fund	Nonmajor Storm Water Utility	Totals	
Cash Flows from Operating Activities:				
<i>Cash Received from Customers</i>	\$ 8,659,236	\$ 360,664	\$ 9,019,900	\$ --
<i>Cash Payments to Employees for Services</i>	(1,124,331)	(125,132)	(1,249,463)	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(6,658,628)	(59,420)	(6,718,048)	--
Net Cash Provided (Used) by Operating Activities	876,277	176,112	1,052,389	--
Cash Flows from Non-capital Financing Activities:				
<i>Transfers From (To) Other Funds</i>	412,639	2,500	415,139	(331,509)
Net Cash Provided (Used) by Non-capital Financing Activities	412,639	2,500	415,139	(331,509)
Cash Flows from Capital and Related Financing Activities:				
<i>Principal and Interest Paid</i>	(504,456)	(24,316)	(528,772)	--
<i>Acquisition or Construction of Capital Assets</i>	(573,724)	--	(573,724)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	(1,078,180)	(24,316)	(1,102,496)	--
Cash Flows from Investing Activities:				
<i>Interest and Dividends on Investments</i>	87,436	8,275	95,711	--
Net Cash Provided (Used) for Investing Activities	87,436	8,275	95,711	--
Net Increase (Decrease) in Cash and Cash Equivalents	298,172	162,571	460,743	(331,509)
Cash and Cash Equivalents at Beginning of Year	1,779,150	112,304	1,891,454	331,509
Cash and Cash Equivalents at End of Year	\$ 2,077,322	\$ 274,875	\$ 2,352,197	\$ --
Summary of Cash and Cash Equivalents				
Cash	\$ 492,436	\$ 65,135	\$ 557,571	\$ --
Investments	1,584,886	209,740	1,794,626	--
	\$ 2,077,322	\$ 274,875	\$ 2,352,197	\$ --
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 399,404	\$ 160,890	\$ 560,294	\$ --
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
<i>Depreciation</i>	448,978	21,469	470,447	--
<i>Miscellaneous Income</i>	19,983	--	19,983	--
Change in Assets and Liabilities:				
<i>Decrease (Increase) in Receivables</i>	(77,191)	(3,840)	(81,031)	--
<i>Decrease (Increase) in Inventories</i>	2,393	--	2,393	--
<i>Increase (Decrease) in Accounts Payable</i>	98,887	(2,510)	96,377	--
<i>Increase (Decrease) in Accrued Expenses</i>	(24,644)	--	(24,644)	--
<i>Increase (Decrease) in Accrued Wages Payable</i>	(6,120)	(177)	(6,297)	--
<i>Increase (Decrease) in Customer Deposits</i>	17,080	--	17,080	--
<i>Increase (Decrease) in Compensated Absences</i>	(2,493)	280	(2,213)	--
Total Adjustments	476,873	15,222	492,095	--
Net Cash Provided (Used) by Operating Activities	\$ 876,277	\$ 176,112	\$ 1,052,389	\$ --
Noncash Investing, Capital, and Financing Activities:				
<i>Developer contributions of infrastructure</i>	\$ 442,995	\$ 527,523	\$ 970,518	\$ --

The accompanying notes are an integral part of this statement.

This page intentionally left blank.

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Corinth (the "City") are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board. A summary of the City's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Blended component unit. The City of Corinth's "*Corinth Crime Control and Prevention District*" (CCD), a special purpose district, was organized under Chapter 363, Texas Local Government Code. A special election was held on September 11, 2004 for the creation of the CCD and to levy a one-quarter ($\frac{1}{4}$) of one percent sales and use tax for the support of crime reduction programs authorized by the City.

The CCD is governed by a board of directors that are appointed and serve at the discretion of the City Council. The CCD is reported as a governmental entity and its accounts are maintained on the modified accrual basis of accounting.

Discretely presented component unit. The City of Corinth's "*Corinth Economic Development Corporation*" (CEDC), a non-profit corporation, was organized under the Development Corporation Act of 1979, Article 5190.6 V.A.T.C.S. Section 4B for the purpose of promoting economic development. State statutes define projects that the corporation may fund. Some examples of permitted projects are in Note IV.D. Other Information- Component Unit Information.

The CEDC is governed by a board of directors that are appointed by and serve at the discretion of the City Council. The CEDC is reported as a governmental entity and its accounts are maintained on the modified accrual basis of accounting.

The CEDC and the CCD do not issue separate financial statements.

B. Implementation of new accounting principles

In fiscal year 2003, the City implemented GASB Statement No. 34, "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments," as a part of this statement, there is a reporting requirement regarding a local government's infrastructure (streets, bridges, traffic signals, etc.) with required implementation for fiscal years ending after June 15, 2007. The City has made an inventory and performed a valuation of historic infrastructure for fiscal year 2006, restating net assets for fiscal year 2005 to reflect the infrastructure valuation. See Note I.F. for detailed information on the restatement of prior year.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes or other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

D. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all of the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales tax, municipal court fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. The City reports the following major governmental funds:

General Fund - The General Fund is used to account for the resources used to finance the fundamental operations of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund is used to account for the payment of principal and interest on general long-term bonded debt of the City. Payments of principal and interest on equipment, financing used in general activities of the City and other financing are serviced by the General Fund.

Capital Projects Fund - The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The City reports the following major proprietary fund:

Water and Wastewater Fund - The Water and Wastewater Fund provides water and wastewater services to the residents and businesses of Corinth. The activities supporting the delivery of services are accounted for in this fund, including operations and maintenance, administration, billing, financing

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

and debt service. The Water and Wastewater Fund is financed and operated in a manner similar to private business enterprises, where the determination of net income is necessary or useful to sound financial administration.

Additionally, the City reports the following fund types:

Five nonmajor special revenue funds; special revenue funds account for specific revenue sources that are legally restricted to expenditures for specialized purposes.

- The PID #1 fund is used to account for collections and expenditure of Public Improvement District assessment funds.
- The Street Maintenance Sales Tax fund accounts for the receipt of a \$.0025 special purpose sales tax and related expenditures.
- The Roadway Impact Fees fund is used to account for the receipt and expenditure of roadway impact fees as required by the state of Texas Local Government Code Section 395.
- The Crime Control and Prevention District fund is the *blended component unit* described above. All revenues and expenditures related to the \$.0025 sales tax are recorded in this fund.
- The Special Revenue fund accounts for revenues that are designated for a particular purpose, i.e., park donations, Keep Corinth Beautiful donations and other designated revenues and related expenditures.

One nonmajor capital projects fund; capital project funds are used to account for acquisition and construction of major capital facilities (other than those accounted for within the City's proprietary funds). Capital projects are funded primarily through certificates of obligation.

- The 2007 Streets CIP fund is used to account for funds and expenditures related to the 2007 streets capital improvement program.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule include charges between the government's water and wastewater function and various amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

resources first, then unrestricted resources as they are needed.

E. Assets, liabilities, and net assets or equity

Cash and Investments

For purposes of the statement of cash flows, cash includes amounts in demand deposits, restricted cash and investments, as well as short-term investments with maturity dates within three months of the date acquired by the City. All City funds participate in a pooling of cash to maximize interest earnings.

Receivables and payables

Activities between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Balances between the City and its discrete component unit are referred to as "due from discrete component unit" and "due to primary government." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts for utility billing is estimated on a percentage of aged accounts receivable.

Ad valorem (property) taxes are levied based on the January 1 property values as assessed by the Denton Central Appraisal District. Property taxes are recognized as revenue when they become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Current taxes are due on October 1, and become delinquent if unpaid on February 1.

Inventories and prepaid items

All inventories are valued at cost using the first-in first-out (FIFO) method. Inventories consist of expendable supplies held for consumption or the construction of plant and equipment. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain proceeds of the City's general obligation (GO), certificates of obligation (CO) and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the City, as well as the component unit, are depreciated using the straight-line method over the following useful lives:

Building and building improvements	20-50 years
Water and Wastewater system infrastructure	30 years
Storm drainage system infrastructure	30 years
Public domain infrastructure	50 years
Vehicles and equipment	5-10 years
Office equipment	5-10 years

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time and sick pay benefits. Eligible employees are reimbursed upon separation from service for accumulated vacation, accumulated sick pay and only non-exempt employees are reimbursed for compensatory time. The liabilities for these amounts are accrued as they are incurred in the government-wide and proprietary fund financial statements.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

F. Prior year restatements and reclassifications

The City made several restatements and reclassifications of the prior year. The following is a summary description of the changes, by activity and fund type.

	As Reported 9/30/05 Dr(Cr)	Restatement Dr(Cr)	After Restatement 9/30/05 Dr(Cr)
Government-wide Governmental Type Activities			
Current and other assets	9,306,666	(44,080)	9,262,586
Capital assets	14,039,825	45,959,545	59,999,370
Long-term liabilities	(13,492,987)	(109,963)	(13,602,950)
Other liabilities	(2,545,959)	377,089	(2,168,870)
Expenses	9,070,766	2,271,732	11,342,498
Program revenue	(2,156,071)	217,663	(1,938,408)
General revenue	(8,057,516)	(20,128)	(8,077,644)
Net assets (post closing effect)	(7,307,545)	(46,182,691)	(53,490,236)
Business-type Activities			
Storm Water Utility Fund			
Capital assets	-	89,455	89,455
Long-term liabilities	-	(89,248)	(89,248)
Expenses	126,983	(207)	126,776
Net assets (post closing effect)	(107,513)	(207)	(107,720)
Governmental Funds			
General Fund			
Assets	4,802,836	5,816	4,808,652
Liabilities	(729,774)	19,448	(710,326)
Revenue	(8,493,774)	81,880	(8,411,894)
Expenditures	7,375,309	2,153	7,377,462
Other sources (uses)	12,420	(107,346)	(94,926)
Fund balance (net of closing effect)	(4,073,062)	(3,398)	(4,076,460)
Special Revenue Funds			
Recreation Fund			
Assets	39,026	(39,026)	-
Liabilities	(5,206)	5,206	-
Revenue	(130,454)	130,454	-
Expenditures	129,007	(129,007)	-
Fund balance (post closing effect)	(33,820)	33,820	-
Special Revenue Fund			
Expenditures	36,175	21,569	57,744
Fund balance (net of closing effect)	(269,360)	21,569	(247,791)
Debt Service Fund			
Liabilities	(30,770)	10,699	(20,071)
Expenditures	2,147,445	(2,886)	2,144,559
Fund balance (net of closing effect)	(1,801,160)	(10,699)	(1,811,859)
Internal Service Fund			
Expenditures	253,746	(183,959)	69,787
Net assets (post closing effect)	(147,550)	(183,959)	(331,509)

Prior Period Adjustments

- 1) Change fund classification for the Recreation and Crime Control and Prevention District funds as noted below in "reclassifications."

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

- 2) Record street infrastructure.
- 3) Recognize current revenue effect of taxes and fines collected in subsequent year.
- 4) Record capital lease activity.
- 5) Release certain assets to expense/expenditures.

Reclassifications

- 1) The Recreation special revenue fund was reclassified to the General Fund.
- 2) The Crime Control and Prevention District fund was reclassified from a discrete component unit to a special revenue fund
- 3) The function/program groupings for the General Fund were reclassified for consistency with the legal level of budgetary control.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

Annual budgets for the following funds are adopted on a basis consistent with generally accepted accounting principles (GAAP): the General fund, the Debt Service fund, the Street Maintenance Sales Tax fund, the Public Improvement District (PID) #1 fund and the Corinth Crime Control and Prevention District fund. The budgets for the Water and Wastewater fund and the Storm Water Utility fund are adopted on a budgetary basis different from GAAP, debt service principal payments and fixed asset purchases are budgeted as expenses and depreciation expense is not budgeted. The Special Revenue fund and the Capital Projects fund are not included in the annual budget process; special and capital projects are addressed on an individual basis by management and the Council. All annual appropriations lapse at fiscal year-end unless encumbered.

The appropriated budget is prepared by fund, functional department and division. Transfers of appropriations between divisions within a department may be initiated by staff and approved by the director. Transfers between functional departments require the approval of the director, budget manager, and finance director. Transfers between funds may require council approval. All transfers of appropriations require the approval of the city manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The City Council is required to approve all budget amendments that alter department or operating appropriations.

Encumbrance accounting is employed by governmental funds. Encumbrances (i.e., contracts, purchase orders) outstanding at year end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitment will be reappropriated and honored during the subsequent year.

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

The cash and investment policy of the City is governed by State statutes and the adopted City Investment Policy. City policy governing bank deposits require depositors to be FDIC-insured institutions; depositories must fully collateralize all time deposits in excess of FDIC insurance limits.

Deposits - At September 30, 2006, the City's carrying amount of demand deposits was \$2,168,549 while the bank balance was \$2,908,270.

Investments - State statutes authorize the City to invest in obligations of the U. S. Treasury, agencies and instrumentalities, in obligations of the State of Texas and other political subdivisions of any state rated "A" or above by Standard & Poor's or Moody's Investors Service, and repurchase agreements. Investments maturing within one year of date of purchase are stated at cost or amortized cost, all other investments are stated at fair value which is based on quoted market prices. The City did not engage in repurchase nor reverse repurchase agreement transactions during the year. At year end, the City's investments were as follows:

Investments	9/30/2006 Reported amount, fair/market value	
<i>Public funds investment pools</i>		
TexPool, pooled City funds	2,782,796	
TexPool, CEDC component unit	1,098,579	
TexSTAR	3,738,433	
Subtotal	<u>7,619,808</u>	
 <i>Securities</i>		
		Days to maturity
Federal agency coupon	1,277,900	347
Federal agency disc.	490,273	139
Federal agency coupon-callable	1,000,000	638
Subtotal	<u>2,768,173</u>	
 Total investments	 <u>10,387,981</u>	

Interest rate risk. In accordance with its investment policy, the City manages its exposure to decline in fair value of securities by limiting the City to securities with maturities not to exceed 24 months from date of purchase. The City also manages the weighted average days to maturity for the operating funds portfolio to less than 270 days, the reserve funds to less than 365 days and the special project and capital project to less than 270 days.

The CEDC component unit limits weighted average days to maturity for the operating funds portfolio to less than 270 days, the reserve and bond funds to less than 365 days.

The City and its component unit invest in the public funds investment pools listed above, which have specified maximum weighted average maturities for their investment portfolios. The maximum weighted average maturity (WAM) of TexPool investment portfolios cannot exceed 60 days. TexSTAR also maintains a portfolio maximum WAM of 60 days calculated according to SEC rule 2a-7.

Credit risk. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the states with a rating of not less than AA, fully insured certificates of deposit. The City's investments in the bonds of the US agencies was rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service.

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Inter-local Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor's and Aaa by Moody's. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poor's, as well as the Office of the State Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities to invest their public funds through the investment pools. TexSTAR is administered by JP Morgan Chase and First Southwest Asset Management, Inc., and is rated AAAM by Standard and Poor's.

Concentration of credit risk. The City's investment policy requires diversification of investments according to the following guidelines:

Investment	Maximum % of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities	100%
Authorized Local Government Investment Pool	50%
Local Government Obligations	10%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	25%
SEC-Regulated No-Load Money Market Mutual Fund	50%

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City of Corinth and the Corinth Economic Development Corporation have investment policies that specify collateralization agreements with the depository bank to protect the government from this risk. All deposits are collateralized by letters of credit from the Federal Home Loan Bank of Dallas, a third party custodian; securing deposits for the City up to \$10 million and for the CEDC up to \$500,000.

Custodial credit risk – investments. For an investment, this is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states that investments of City funds shall be secured by pledged collateral with a market value equal to or exceeding 102% of the principal plus accrued interest of deposits at financial institutions.

B. Receivables, Interfund Receivables and Transfers

Receivables as of the year ended September 30, 2006 for the government's individual major funds and non-major internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Receivables	General Fund	Debt Service Fund	Other Governmental Funds	Water & Wastewater Fund	Nonmajor Enterprise Funds	Total
Taxes	\$ 280,152	\$ 22,370	\$ 92,383	\$ -	\$ -	\$ 394,905
Accounts	100,093	-	15,909	1,317,982	29,001	1,462,985
Interest	15,431	-	-	-	-	15,431
Warrants	1,339,230	-	-	-	-	1,339,230
Other	277,974	-	-	-	-	277,974
Special Assessments	-	-	39,972	-	-	39,972
Gross Receivables	<u>2,012,880</u>	<u>22,370</u>	<u>148,264</u>	<u>1,317,982</u>	<u>29,001</u>	<u>3,530,497</u>
LESS: Allowance for uncollectibles	(1,112,720)	-	-	(78,009)	-	(1,190,729)
Net total receivables	<u>\$ 900,160</u>	<u>\$ 22,370</u>	<u>\$ 148,264</u>	<u>\$ 1,239,973</u>	<u>\$ 29,001</u>	<u>\$ 2,339,768</u>

The only receivable not anticipated to be collected in full within one year is the PID #1 special assessment receivable, reported in other governmental funds. PID collections are made monthly, quarterly, semi-annually and annually, depending on the original agreement with the homeowner in the PID. Approximately \$25,000 of the receivable will carry over into subsequent fiscal years.

The composition of interfund balances as of September 30, 2006, is as follows:

	Due from other funds	Due to other funds
General Fund	\$ 20,000	\$ 114,739
Nonmajor governmental funds	117,279	22,540
	<u>\$ 137,279</u>	<u>\$ 137,279</u>
	Due from component unit	Due to primary government
General Fund	\$ 10,306	\$ -
Discrete Component Unit	-	10,306
	<u>\$ 10,306</u>	<u>\$ 10,306</u>

The interfund balances above represent unsettled overdrafts of pooled cash which will be removed by rebalancing the funds' share of pooled cash and investments.

Interfund transfers:

	Transfers to other funds	Transfers from other funds
General Fund	\$ 114,739	\$ 309,009
Debt Service Fund	-	20,880
Nonmajor governmental funds	-	114,739
Water and Wastewater Fund	352,389	20,000
Nonmajor business-type funds	-	2,500
	<u>\$ 467,128</u>	<u>\$ 467,128</u>

Interfund transfers are used to pay an allocation of general and administrative services, provide funds for debt service, contribute toward the cost of capital projects and for other operational purposes.

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

C. Capital assets

Capital asset additions, disposals, and depreciation for governmental activities and business-type activities for the year ended September 30, 2006 was as follows:

	Governmental activities:				Business-type activities:			
	Beginning Balance*	Increases	Decreases	Ending Balance	Beginning Balance*	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:								
Land	\$ 184,251	\$ 50,016	\$ -	\$ 234,267	\$ 300,273	\$ -	\$ -	\$ 300,273
Construction in progress	6,747,886	17,492	-	6,765,378	4,463,551	468,078	-	4,931,629
Totals, capital assets not being depreciated	6,932,137	67,508	-	6,999,645	4,763,824	468,078	-	5,231,902
Capital assets, being depreciated:								
Buildings	5,087,037	88,313	-	5,175,350	230,818	-	(1,185)	229,633
Machinery and equipment	2,761,971	293,823	-	3,055,794	1,183,897	49,566	(84,732)	1,148,731
Infrastructure	71,906,744	546,724	-	72,453,468	14,146,624	928,623	(1,800)	15,073,447
Totals, capital assets being depreciated	79,755,752	928,860	-	80,684,612	15,561,339	978,189	(87,717)	16,451,811
Less: accumulated depreciation for:								
Buildings	(507,399)	(137,159)	-	(644,558)	(71,930)	(7,369)	1,185	(78,114)
Machinery and equipment	(1,350,536)	(344,904)	-	(1,695,440)	(955,520)	(79,207)	84,732	(949,995)
Infrastructure	(24,830,584)	(2,551,686)	-	(27,382,270)	(3,657,358)	(383,871)	1,800	(4,039,429)
Total accumulated depreciation	(26,688,519)	(3,033,749)	-	(29,722,268)	(4,684,808)	(470,447)	87,717	(5,067,538)
Total capital assets, being depreciated, net	53,067,233	(2,104,889)	-	50,962,344	10,876,531	507,742	-	11,384,273
City capital assets, net	\$ 59,999,370	\$ (2,037,381)	\$ -	\$ 57,961,989	\$ 15,640,355	\$ 975,820	\$ -	\$ 16,616,175

*As restated, see Note I.F.

Depreciation expense was charged to functions/ programs of the primary government as follows:

Governmental activities:

Public safety	\$ 92,776
Community services	116,144
Planning & community development	7,135
Public works	2,644,959
Finance and administrative services	41,234
City administration	131,501
Total depreciation expense - governmental activities	<u>\$ 3,033,749</u>

Business-type activities:

Water	\$ 296,292
Wastewater	152,686
Storm water utility	21,469
Total depreciation expense - business-type activities	<u>\$ 470,447</u>

D. Non-capital leases

The City entered into a 60-month lease with Xerox for copy machines on May 26, 2006. The lease will account for on-going operating expenditures of \$13,778 in the general fund and \$12,931 in the water and wastewater fund annually.

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

E. Long-term debt

Long-term debt of the City governmental activities consists of three general obligation, one certificate of obligation bond series, two refunding bond series, a shared capital lease obligation and accrued compensated absences. General obligation bond retirement is provided from ad valorem tax. The certificates of obligation will be retired through the levy of a special assessment. Interest rates on general long-term debt range from 2.6% to 6.7%.

Long-term debt of the City business-type activities consists of portions of two general obligation refunding bond series and accrued compensated absences, with interest rates ranging from 4.0% to 5.15%. Business-type activities long-term debt is serviced by revenue from the water and wastewater system.

The following is a summary of long-term debt as of September 30, 2006:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>2005 Refunding Bonds</i>	<i>Ending Balance</i>	<i>Due within one year</i>
Governmental activities:						
General obligation bonds	\$ 13,221,000	\$ 3,962,400	\$ (757,500)	\$ (3,168,500)	\$ 13,257,400	\$ 726,750
Certificates of obligation and tax notes	1,640,000	-	(780,000)	(725,000)	135,000	55,000
Capital lease obligations	107,346	-	(19,701)	-	87,645	20,548
Bond premium/discounts	-	-	(2,591)	36,273	33,682	2,591
Deferred amount from refunding	-	-	8,350	(132,232)	(123,882)	(10,229)
Compensated absences	229,486	101,948	(37,313)	-	294,121	-
Total governmental activities:	<u>\$ 15,197,832</u>	<u>\$ 4,064,348</u>	<u>\$ (1,588,755)</u>	<u>\$ (3,989,459)</u>	<u>\$ 13,683,966</u>	<u>\$ 794,660</u>
Business-type activities:						
General obligation bonds	\$ 2,889,000	\$ 1,117,600	\$ (157,500)	\$ (1,066,500)	\$ 2,782,600	\$ 183,250
Certificates of obligation and tax notes	200,000	-	(200,000)	-	-	-
Capital lease obligations	107,346	-	(19,701)	-	87,645	20,548
Bond premium/discounts	-	-	(731)	10,231	9,500	731
Deferred amount from refunding	(19,305)	-	23,330	(68,963)	(64,938)	(4,926)
Compensated absences	61,106	6,511	(8,723)	-	58,894	-
Total business-type activities:	<u>\$ 3,238,147</u>	<u>\$ 1,124,111</u>	<u>\$ (363,325)</u>	<u>\$ (1,125,232)</u>	<u>\$ 2,873,701</u>	<u>\$ 199,603</u>

Compensated absences are paid from the fund out of which an employee is regularly paid. Compensated absences in governmental activities are paid from the governmental funds; compensated absences in business-type activities are paid from the enterprise funds.

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Long-term debt of the City is comprised of the following individual issues:

	Governmental Activities	Business-type Activities
	Amount Outstanding	Amount Outstanding
General Obligation Bonds:		
\$8,245,000, General Obligation Refunding and Improvement Bonds, Series 1997, serial bonds due in annual installments of \$100,000 to \$500,000 through September 30, 2019; interest at 4.00% to 5.15%.	\$ 2,035,000	\$ 1,665,000
\$7,000,000, General Obligation Bonds, Series 1999 serial bonds due in annual installments of \$100,000 to \$500,000 through September 30, 2019; interest at 3.50% to 4.80%.	5,330,000	-
\$2,500,000 General Obligation Bonds, Series 2000 serial bonds due in annual installments of \$75,000 to \$205,000 through February 15, 2020; interest at 5.20% to 6.70%.	210,000	-
\$2,000,000, General Obligation Bonds, Series 2001 serial bonds due in annual installments of \$65,000 to \$160,000 through September 30, 2021; interest at 5.00% to 6.25%.	1,720,000	-
\$5,080,000, General Obligation Refunding Bonds, Series 2005, serial bonds due in annual installments of \$25,000 to \$580,000 through February 15, 2020; interest at 4.00% to 4.25%.	3,962,400	1,117,600
Total General Obligation Bonds	13,257,400	2,782,600
Certificates of Obligation:		
\$4,660,000 Combination Tax and Revenue Certificates of Obligation, Series 1994, serial obligations due in annual installments of \$45,000 to \$385,000 through February, 2006; interest at 6.25% to 7.00%.	-	-
\$430,000 Combination Tax and Revenue Certificates of Obligation, Series 1995, serial obligations due in annual installments of \$15,000 to \$35,000 through February, 2016; interest at 5.75% to 6.80%.	20,000	-
\$800,000 Combination Tax and Revenue Certificates of Obligation, Series 1998, serial obligations due in annual installments if \$20,000 to \$65,000 through February, 2018; interest at 5.00% to 7.75%.	115,000	-
Total Certificates of Obligation	135,000	-
Capital Lease Obligations:		
\$214,691 capital lease secured by equipment with a carrying value of \$178,909; annual installments of \$48,632 through March 15, 2010; interest at 4.30%. The lease is paid one-half by the public works department of the general government and one-half by the storm water utility fund.	87,645	87,645
Grand Total Outstanding Debt	\$ 13,480,045	\$ 2,870,245

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The annual debt service requirements to maturity for the general obligation bonds, certificates of obligation and tax notes are as follows:

General Obligation Bonds:				
	<i>Governmental Activities</i>		<i>Business-type Activities</i>	
Year Ended	Principal	Interest	Principal	Interest
September 30				
2007	\$ 761,750	\$ 580,227	\$ 183,250	\$ 123,339
2008	831,150	542,890	198,850	114,466
2009	836,850	506,813	233,150	93,185
2010	855,200	470,826	249,800	78,088
2011	948,750	431,863	201,250	82,819
2012-2021	9,158,700	1,784,529	1,716,300	327,992
Total	\$ 13,392,400	\$ 4,317,148	\$ 2,782,600	\$ 819,889

The annual capital lease obligation to maturity is as follows:

Capital Leases:		
	<i>Governmental Activities</i>	<i>Business-type Activities</i>
Year Ended	Minimum annual	Minimum annual
September 30	payment	payment
2007	24,317	24,317
2008	24,316	24,316
2009	24,317	24,317
2010	23,715	23,715
Total minimum payments	96,665	96,665
Imputed interest	(9,020)	(9,020)
Principal	87,645	87,645

Defeased debt:

On December 1, 2005, the City issued \$5.08 million in General Obligation Refunding Bonds with an average interest rate of 4.058 percent to currently refund \$260,000 of outstanding 1995 Series bonds with an average interest rate of 5.6 percent, advance refund \$2,370,000 of outstanding 1997 Series bonds with an average interest rate of 5.10 percent, advance refund \$465,000 of outstanding 1998 Series bonds with an average interest rate of 5.10 percent, and advance refund \$1,865,000 of outstanding 2000 Series bonds with an average interest rate of 5.5 percent. The net proceeds of \$5.161 million (after payment of approximately \$133,650 in underwriting fees, insurance, and other issuance costs) plus an additional \$131,000 of transferred sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on portions of the 1995, 1997, 1998, and 2000 Series bonds. As a result, portions of the 1995, 1997, 1998, and 2000 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide long-term debt and the City's balance sheet. The City in effect reduced its aggregate debt service payments by about \$386,000 over the next 14 years, which equates to an economic cash flow gain of approximately \$281,000 on a net present value basis.

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Deferred bond issuance costs:

	Governmental activities	Business-type activities
Bond issuance costs incurred in fiscal year 2006 in connection with the business-type portion of the \$5,080,000 general obligation issue	\$ 65,363	\$ 18,435
Less: amortization through September 30, 2006	<u>(3,817)</u>	<u>(1,077)</u>
Deferred bond issuance costs, net	<u>\$ 61,546</u>	<u>\$ 17,358</u>

IV. OTHER INFORMATION

A. Upper Trinity Regional Water District (UTRWD)

On November 13, 1990, the City entered into a 30-year contract with Upper Trinity Regional Water District (UTRWD) and other participating political members to develop a regional water system for providing retail utility service to the Denton County area.

The contract included, among other things, a commitment by the City to 2.0 million gallons of water per day demand. On February 4, 1999 the City amended the contract with Upper Trinity to increase the demand from 2.0 million gallons per day to 5.5 million gallons per day. On September 2, 1999, due to continued growth, the City entered into the third contract amendment with Upper Trinity increasing the demand to 7.5 million gallons per day. The current demand capacity of 7.5 million gallons per day provides the City with three (3) weighted votes as a member of the Upper Trinity Board. The City has one appointed member to the Upper Trinity Board of Directors and one appointed member to the Upper Trinity Customer Advisory Committee.

Under agreements with the UTRWD, all participating and contract entities share in the cost of administering the District and in the cost of planning for future programs and services of the District. The Fee of \$3,682 called an "Administrative Fee," is calculated according to a formula based on population and is included in the proprietary fund financial statements.

B. Employee retirement systems and pension plans

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of 4/16/06):*

**To ensure the most accurate future rates are determined for the City, TMRS provided plan provisions as of 4/19/06 to the actuary in calculating the 12/31/05 valuation.*

Deposit rate: 7%
 Matching ratio (City to employee) 2 to 1
 A member is vested after: 5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: 5 years/age 60; 20 years/any age.

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect, (i.e. December 31, 2005 valuation is effective for rates beginning January 2007).

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2005	12/31/2004	12/31/2003
Actuarial Value of Assets	6,082,374	5,200,450	4,135,143
Actuarial Accrued Liability	7,555,214	6,448,306	5,215,888
Percentage Funded	80.50%	80.65%	79.30%
Unfunded Actuarial Accrued Liability (UAAL)	1,472,840	1,247,856	1,080,745
Annual Covered Payroll	5,826,215	5,525,187	4,903,503
UAAL as a % of Covered Payroll	25.30%	22.58%	22.00%
Net Pension Obligation (NPO) at the Beginning of the Period	-0-	-0-	-0-
Annual Pension Cost	-0-	-0-	-0-
Annual Required Contribution (ARC)	588,206	501,120	441,389
Contributions Made	588,206	501,120	441,389
Increase in NPO	-0-	-0-	-0-
NPO at the End of the Period	-0-	-0-	-0-

Actuarial Assumptions. Actuarial gains and losses are recognized immediately and decrease or increase the unfunded actuarial liability, which is being amortized over a constant 25-year amortization period as a level percent of payroll. The actuarial assumptions were developed from an actuarial investigation of the experience of TMRS over the five years 1998-2002. The following table summarizes the basic actuarial assumptions used by TMRS:

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Basic Actuarial Assumptions

Actuarial cost method	Unit credit
Amortization method	Level percent of payroll
Remaining amortization method	25 years, open period
Asset valuation method	Amortized cost (to accurately reflect the requirements of GASB statement no.25, paragraphs 36e and 138)
Investment rate of return	7.00%
Projected salary increases	none
Includes inflation at	none
Cost of living adjustments	none

A detailed explanation of the actuarial assumptions is provided in the TMRS Comprehensive Annual Financial Report available at <http://www.tmr.org/>. A copy may also be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

C. Risk Management

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool ("Pool"). The Pool was created for the purpose of providing coverage against risks that are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, property and workers' compensation coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide through commercial companies reinsurance contracts. The Pool agrees to handle all liability, property and workers' compensation claims and provide any defense as is necessary. The Pool makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses. The City agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool. The City also carries commercial insurance on other risks of loss. The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the past three years.

D. Component Unit Information

Corinth Economic Development Corporation

Background

A 4B Corporation is a public instrumentality and non-profit development corporation established under Section 4B of the Development Corporation Act of 1979, Tex. Rev. Civ. Stat. Ann. Article 5190.6, as amended. The Act provides that 4B Corporations may fund a wide variety of projects including land, buildings, equipment, facilities, expenditures and improvements related to projects defined in the Act and suitable for the promotion of amateur sports, athletic, entertainment, tourist, convention, and public park purposes and events, including stadiums, ball parks, auditoriums, amphitheaters, concert halls, parks and open space improvements, museums, exhibition facilities; related store, restaurant, concession, parking and transportation facilities; related street, water and sewer facilities; and to create or retain "primary jobs," including: public safety facilities, recycling facilities, streets and roads, drainage and related improvements, demolition of existing structures; and maintenance and operating costs associated with projects.

4B corporations are required to file an annual report with the Texas Comptroller of Public accounts by February 1. The 4B tax remains in effect until the City notifies the Revenue Accounting, Tax Allocation Section of the Comptroller's Office, to stop collecting the tax. A city can, of its own action or as a result of an election, dissolve a 4B corporation. A city must continue assessing the tax until all obligations incurred by the corporation, including principal and interest on bonds, are satisfied.

On November 5, 2002, Corinth held a 4B Sales Tax Election and the citizens voted to approve the collection

CITY OF CORINTH
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

of an additional one-half of one percent sales tax for economic development. On June 19, 2003 the City Council approved the Articles of Incorporation officially establishing the Corinth Economic Development Corporation ("CEDC") and naming its seven-member board of directors. The Articles of Incorporation were approved by the Secretary of State at the end of June, 2003. The corporation directors then appointed officers of the corporation and adopted their bylaws in September 2003. The bylaws were forwarded to the City Council for their approval on October 23, 2003. The Comptroller's office notified area merchants to begin collecting the new tax rate on April 1, 2003 and the City began receiving revenue from the tax in June 2003. Each month, the Comptroller's office issues a payment for the total city sales tax. Upon receipt, the 4B funds are transferred into a separate, interest-bearing account at the City's depository bank.

Current Year

The Corporation's fund balance as of September 30, 2005, was \$945,292. The CEDC's fund balance grew to \$1,158,470 as of September 30, 2006 due to increased sales tax collections and budget savings during the year.

E. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.



Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

This page intentionally left blank.

CITY OF CORINTH, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
<i>Property</i>	\$ 5,336,000	\$ 5,336,000	\$ 5,343,072	\$ 7,072
<i>Franchise</i>	892,393	892,393	1,289,688	397,295
<i>Sales</i>	844,000	844,000	999,133	155,133
<i>Fees and permits</i>	598,600	598,600	661,652	63,052
<i>Fines and forfeitures</i>	605,400	832,200	657,395	(174,805)
<i>Charges for services</i>	402,114	402,114	468,651	66,537
<i>Interest income</i>	70,000	70,000	379,142	309,142
<i>Park donations</i>	--	--	1,500	1,500
<i>Intergovernmental</i>	60,000	60,000	58,138	(1,862)
<i>Miscellaneous income</i>	5,000	5,000	70,046	65,046
Total revenues	<u>8,813,507</u>	<u>9,040,307</u>	<u>9,928,417</u>	<u>888,110</u>
Expenditures:				
Current:				
<i>Public safety</i>	2,457,137	2,457,137	2,427,549	29,588
<i>Lake Cities Fire Department</i>	1,590,092	1,590,092	1,565,570	24,522
<i>Community services</i>	1,747,494	1,974,294	1,528,774	445,520
<i>Public works</i>	1,407,964	1,293,225	1,289,676	3,549
<i>Planning and community development</i>	841,912	764,281	584,199	180,082
<i>City Administration</i>	479,037	479,037	471,180	7,857
<i>Finance and administrative services</i>	714,140	714,040	669,849	44,191
Total Expenditures	<u>9,237,776</u>	<u>9,272,106</u>	<u>8,536,797</u>	<u>735,309</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(424,269)</u>	<u>(231,798)</u>	<u>1,391,620</u>	<u>1,623,418</u>
Other Financing Sources (Uses):				
<i>Transfers in</i>	84,500	84,500	309,009	224,509
<i>Transfers out</i>	--	(114,739)	(114,739)	--
Total Other Financing Sources (Uses)	<u>84,500</u>	<u>(30,239)</u>	<u>194,270</u>	<u>(224,509)</u>
Net Change in Fund Balances	<u>(339,769)</u>	<u>(262,037)</u>	<u>1,585,890</u>	<u>1,847,927</u>
Fund Balances - Beginning	<u>3,405,300</u>	<u>4,112,088</u>	<u>4,076,460</u>	<u>(35,628)</u>
Fund Balances - Ending	<u>\$ 3,065,531</u>	<u>\$ 3,850,051</u>	<u>\$ 5,662,350</u>	<u>\$ 1,812,299</u>

Stewardship, Compliance, and Accountability

Budgetary Information

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted to obtain taxpayer comments.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. Budgeted amounts are as originally adopted or as amended by the City Council or management. During the year the following increases in appropriations were submitted as budget amendments and approved by the City Council:
 - \$200,000 was added to the Police Department expenditure budget for the addition of a traffic division comprised of two motorcycle officers. An offsetting amendment to general fund revenue of \$200,000 was projected as a result of the addition of the traffic division. Approved October 6, 2005, ordinance number 05-10-06-23.
 - \$26,800 was added to the Municipal Court expenditure budget for salary, benefits and other related costs of hiring one additional court clerk. Approved April 6, 2006, ordinance number 06-04-06-11.
 - \$69,000 was added to the Corinth Economic Development Corporation expenditures and revenue to account for a transfer from the general fund to offset salary and benefit costs. Approved January 5, 2006, ordinance number 06-01-05-01. (Approved by the CEDC Board 12/07/2006)
5. Capital Project funds were not budgeted. Since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.
6. Formal budgetary integration is employed as a management control device during the year. The legally adopted budgets for the General Fund, Special Revenue Funds, and Debt Service Fund are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the following funds:

General Fund

Special Revenue Funds:

- PID #1
- Street Maintenance Sales Tax Fund
- Crime Control & Prevention Fund

Debt Service Fund



Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

This page intentionally left blank.

CITY OF CORINTH, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2006

	Special Revenue Funds	Capital Projects Fund 2007 CIP Streets	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
<i>Cash and cash equivalents</i>	\$ 115,324	\$ --	\$ 115,324
<i>Investments</i>	371,352	--	371,352
Receivables (net of allowances for uncollectibles):			
<i>Sales taxes</i>	92,383	--	92,383
<i>Accounts</i>	15,909	--	15,909
<i>Special assessments</i>	39,972	--	39,972
<i>Due from other funds</i>	2,540	114,739	117,279
Restricted Assets:			
<i>Cash and cash equivalents</i>	57,663	--	57,663
<i>Investments</i>	185,681	--	185,681
Total Assets	\$ 880,824	\$ 114,739	\$ 995,563
LIABILITIES:			
<i>Accounts payable</i>	\$ 29,729	\$ --	\$ 29,729
<i>Accrued liabilities</i>	1,456	--	1,456
<i>Due to other funds</i>	22,540	--	22,540
<i>Other liabilities</i>	155	--	155
<i>Deferred revenue</i>	34,318	--	34,318
Total Liabilities	88,198	--	88,198
Fund Balances:			
<i>Unreserved, reported in:</i>			
<i>Special Revenue Funds</i>	792,626	--	792,626
<i>Capital Projects Funds</i>	--	114,739	114,739
Total Fund Balances	792,626	114,739	907,365
Total Liabilities and Fund Balances	\$ 880,824	\$ 114,739	\$ 995,563

CITY OF CORINTH, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds	Capital Projects Fund 2007 CIP Streets	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
<i>Sales taxes</i>	\$ 441,883	\$ --	\$ 441,883
<i>Interest income</i>	12,594	--	12,594
<i>Park donations</i>	119,070	--	119,070
<i>Roadway impact fees</i>	160,578	--	160,578
<i>Intergovernmental</i>	6,000	--	6,000
<i>Miscellaneous income</i>	21,225	--	21,225
<i>Child safety fines</i>	20,458	--	20,458
<i>Municipal court security</i>	17,319	--	17,319
<i>Municipal court technology</i>	22,957	--	22,957
Total revenues	<u>822,084</u>	<u>--</u>	<u>822,084</u>
Expenditures:			
Current:			
<i>Public safety</i>	104,728	--	104,728
<i>Community services</i>	193,383	--	193,383
<i>Public works</i>	143,737	--	143,737
Total Expenditures	<u>441,848</u>	<u>--</u>	<u>441,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>380,236</u>	<u>--</u>	<u>380,236</u>
Other Financing Sources (Uses):			
<i>Transfers in</i>	--	114,739	114,739
<i>Transfers out</i>	(20,880)	--	(20,880)
Total Other Financing Sources (Uses)	<u>(20,880)</u>	<u>114,739</u>	<u>93,859</u>
Net Change in Fund Balances	359,356	114,739	474,095
Fund Balances - Beginning	<u>433,270</u>	<u>--</u>	<u>433,270</u>
Fund Balances - Ending	<u>\$ 792,626</u>	<u>\$ 114,739</u>	<u>\$ 907,365</u>

This page intentionally left blank.

CITY OF CORINTH, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2006

	<u>PID #1</u>	<u>Street Maintenance Sales Tax</u>
ASSETS		
<i>Cash and cash equivalents</i>	\$ --	\$ 56,142
<i>Investments</i>	--	180,781
Receivables (net of allowances for uncollectibles):		
<i>Sales taxes</i>	--	54,005
<i>Accounts</i>	--	--
<i>Special assessments</i>	39,972	--
<i>Due from other funds</i>	--	2,540
Restricted Assets:		
<i>Cash and cash equivalents</i>	--	--
<i>Investments</i>	--	--
Total Assets	<u>\$ 39,972</u>	<u>\$ 293,468</u>
LIABILITIES:		
<i>Accounts payable</i>	\$ --	\$ --
<i>Accrued liabilities</i>	--	--
<i>Due to other funds</i>	2,540	20,000
<i>Other liabilities</i>	155	--
<i>Deferred revenue</i>	34,318	--
Total Liabilities	<u>37,013</u>	<u>20,000</u>
Fund Balances:		
Reserved Fund Balances		
Unreserved, reported in:		
<i>Special Revenue Funds</i>	2,959	273,468
Total Fund Balances	<u>2,959</u>	<u>273,468</u>
Total Liabilities and Fund Balances	<u>\$ 39,972</u>	<u>\$ 293,468</u>

<u>Roadway Impact Fees</u>	<u>Crime Control & Prevention</u>	<u>Special Revenue</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 38,674	\$ 20,112	\$ 396	\$ 115,324
124,532	64,759	1,280	371,352
--	38,378	--	92,383
--	--	15,909	15,909
--	--	--	39,972
--	--	--	2,540
--	--	57,663	57,663
--	--	185,681	185,681
<u>\$ 163,206</u>	<u>\$ 123,249</u>	<u>\$ 260,929</u>	<u>\$ 880,824</u>
\$ --	\$ 10,330	\$ 19,399	\$ 29,729
--	1,456	--	1,456
--	--	--	22,540
--	--	--	155
--	--	--	34,318
<u>--</u>	<u>11,786</u>	<u>19,399</u>	<u>88,198</u>
163,206	111,463	241,530	792,626
<u>163,206</u>	<u>111,463</u>	<u>241,530</u>	<u>792,626</u>
<u>\$ 163,206</u>	<u>\$ 123,249</u>	<u>\$ 260,929</u>	<u>\$ 880,824</u>

CITY OF CORINTH, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	PID #1	Street Maintenance Sales Tax
Revenue:		
Sales taxes	\$ --	\$ 248,508
Interest income	--	6,648
Park donations	--	--
Roadway impact fees	--	--
Intergovernmental	--	--
Miscellaneous income	20,880	--
Child safety fines	--	--
Municipal court security	--	--
Municipal court technology	--	--
Total revenues	<u>20,880</u>	<u>255,156</u>
Expenditures:		
Current:		
Public safety	--	--
Community services	--	--
Public works	--	143,737
Total Expenditures	<u>--</u>	<u>143,737</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,880</u>	<u>111,419</u>
Other Financing Sources (Uses):		
Transfers out	<u>(20,880)</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(20,880)</u>	<u>--</u>
Net Change in Fund Balances	--	111,419
Fund Balances - Beginning	<u>2,959</u>	<u>162,049</u>
Fund Balances - Ending	<u>\$ 2,959</u>	<u>\$ 273,468</u>

Roadway Impact Fees	Crime Control & Prevention	Special Revenue	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ 193,375	\$ --	\$ 441,883
2,628	2,345	973	12,594
--	--	119,070	119,070
160,578	--	--	160,578
--	--	6,000	6,000
--	--	345	21,225
--	--	20,458	20,458
--	--	17,319	17,319
--	--	22,957	22,957
<u>163,206</u>	<u>195,720</u>	<u>187,122</u>	<u>822,084</u>
--	104,728	--	104,728
--	--	193,383	193,383
--	--	--	143,737
<u>--</u>	<u>104,728</u>	<u>193,383</u>	<u>441,848</u>
<u>163,206</u>	<u>90,992</u>	<u>(6,261)</u>	<u>380,236</u>
--	--	--	(20,880)
--	--	--	(20,880)
<u>163,206</u>	<u>90,992</u>	<u>(6,261)</u>	<u>359,356</u>
--	20,471	247,791	433,270
<u>\$ 163,206</u>	<u>\$ 111,463</u>	<u>\$ 241,530</u>	<u>\$ 792,626</u>

CITY OF CORINTH, TEXAS
 PUBLIC IMPROVEMENT DISTRICT #1
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Interest income	\$ 2,600	\$ 2,600	\$ --	\$ (2,600)
Miscellaneous income	5,000	5,000	20,880	15,880
Total revenues	<u>7,600</u>	<u>7,600</u>	<u>20,880</u>	<u>13,280</u>
Other Financing Sources (Uses):				
Transfers out	--	--	(20,880)	20,880
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(20,880)</u>	<u>20,880</u>
Net Change in Fund Balances	7,600	7,600	--	(7,600)
Fund Balances - Beginning	<u>22,049</u>	<u>22,049</u>	<u>2,959</u>	<u>(19,090)</u>
Fund Balances - Ending	<u>\$ 29,649</u>	<u>\$ 29,649</u>	<u>\$ 2,959</u>	<u>\$ (26,690)</u>

CITY OF CORINTH, TEXAS
STREET MAINTENANCE SALES TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Sales taxes</i>	\$ 144,000	\$ 144,000	\$ 248,508	\$ 104,508
<i>Interest income</i>	--	--	6,648	6,648
Total revenues	<u>144,000</u>	<u>144,000</u>	<u>255,156</u>	<u>111,156</u>
Expenditures:				
Current:				
<i>Public works</i>	<u>209,000</u>	<u>209,000</u>	<u>143,737</u>	<u>65,263</u>
Total Expenditures	<u>209,000</u>	<u>209,000</u>	<u>143,737</u>	<u>65,263</u>
Net Change in Fund Balances	(65,000)	(65,000)	111,419	176,419
Fund Balances - Beginning	<u>108,000</u>	<u>162,049</u>	<u>162,049</u>	--
Fund Balances - Ending	<u>\$ 43,000</u>	<u>\$ 97,049</u>	<u>\$ 273,468</u>	<u>\$ 176,419</u>

CITY OF CORINTH, TEXAS
 CRIME CONTROL & PREVENTION FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Sales taxes	\$ 144,000	\$ 144,000	\$ 193,375	\$ 49,375
Interest income	--	--	2,345	2,345
Total revenues	<u>144,000</u>	<u>144,000</u>	<u>195,720</u>	<u>51,720</u>
Expenditures:				
Current:				
Public safety	--	137,100	104,728	32,372
Total Expenditures	<u>--</u>	<u>137,100</u>	<u>104,728</u>	<u>32,372</u>
Net Change in Fund Balances	144,000	6,900	90,992	84,092
Fund Balances - Beginning	--	20,471	20,471	--
Fund Balances - Ending	<u>\$ 144,000</u>	<u>\$ 27,371</u>	<u>\$ 111,463</u>	<u>\$ 84,092</u>

CITY OF CORINTH, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property taxes	\$ 1,559,326	\$ 1,559,326	\$ 1,544,530	\$ (14,796)
Interest income	9,750	9,750	--	(9,750)
Total revenues	<u>1,569,076</u>	<u>1,569,076</u>	<u>1,544,530</u>	<u>(24,546)</u>
Expenditures:				
Current:				
Debt Service:				
Principal	1,437,500	1,437,500	1,437,500	--
Interest	686,018	686,018	580,911	105,107
Paying agent fees	4,500	4,500	6,478	(1,978)
Bond issuance costs	--	--	65,363	(65,363)
Total Expenditures	<u>2,128,018</u>	<u>2,128,018</u>	<u>2,090,252</u>	<u>37,766</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(558,942)</u>	<u>(558,942)</u>	<u>(545,722)</u>	<u>13,220</u>
Other Financing Sources (Uses):				
Transfers in	--	--	20,880	20,880
Refunding debt issued	--	--	3,962,400	3,962,400
Premiums on debt issued	--	--	65,061	65,061
Discount on debt issued	--	--	(28,789)	(28,789)
Payment to Refunded Bond Escrow Agent	--	--	(4,025,732)	(4,025,732)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(6,180)</u>	<u>(6,180)</u>
Net Change in Fund Balances	<u>(558,942)</u>	<u>(558,942)</u>	<u>(551,902)</u>	<u>7,040</u>
Fund Balances - Beginning	<u>1,143,313</u>	<u>1,831,930</u>	<u>1,811,859</u>	<u>(20,071)</u>
Fund Balances - Ending	<u>\$ 584,371</u>	<u>\$ 1,272,988</u>	<u>\$ 1,259,957</u>	<u>\$ (13,031)</u>

CITY OF CORINTH, TEXAS

EXHIBIT D-1

CORINTH ECONOMIC DEVELOPMENT 4(B) SALES TAX FUND
 DISCRETELY PRESENTED COMPONENT UNIT
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Sales taxes	\$ 410,000	\$ 410,000	\$ 496,998	\$ 86,998
Interest income	13,000	13,000	48,266	35,266
Miscellaneous income	3,500	3,500	--	(3,500)
Total revenues	<u>426,500</u>	<u>426,500</u>	<u>545,264</u>	<u>118,764</u>
Expenditures:				
Current:				
Planning and community development	618,791	687,791	332,086	355,705
Total Expenditures	<u>618,791</u>	<u>687,791</u>	<u>332,086</u>	<u>355,705</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(192,291)</u>	<u>(261,291)</u>	<u>213,178</u>	<u>474,469</u>
Net Change in Fund Balances	(192,291)	(261,291)	213,178	474,469
Fund Balances - Beginning	--	945,292	945,292	--
Fund Balances - Ending	<u>\$ (192,291)</u>	<u>\$ 684,001</u>	<u>\$ 1,158,470</u>	<u>\$ 474,469</u>



STATISTICAL SECTION

This part of the City of Corinth, Texas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents

Financial Trends page 76

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity page 81

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity page 89

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information page 93

These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information page 95

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF CORINTH, TEXAS
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(Unaudited)

	Fiscal Year		
	2003	2004	2005 [1]
Governmental Activities			
Invested in Capital Assets,			
Net of Related Debt	\$ (199,068)	\$ 565,152	\$ 46,286,313
Restricted	2,626,881	3,417,639	977,578
Unrestricted	1,754,328	1,635,029	6,226,345
Total Governmental Activities Net Assets	\$ 4,182,141	\$ 5,617,820	\$ 53,490,236
Business-type Activities			
Invested in Capital Assets,			
Net of Related Debt	\$ 12,112,465	\$ 10,987,669	\$ 12,462,107
Restricted	1,683,050	1,866,796	1,364,100
Unrestricted	(456,751)	(1,055,443)	799,118
Total Business-type Activities Net Assets	\$ 13,338,764	\$ 11,799,022	\$ 14,625,325
Primary Government			
Invested in Capital Assets,			
Net of Related Debt	\$ 11,913,397	\$ 11,552,821	\$ 58,748,420
Restricted	4,309,931	5,284,435	2,341,678
Unrestricted	1,297,577	579,586	7,025,463
Total Primary Government Net Assets	\$ 17,520,905	\$ 17,416,842	\$ 68,115,561

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

[1] Fiscal year 2005 as restated. See Note I.F.

TABLE E-2

CITY OF CORINTH, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE

LAST FOUR FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(Unaudited)

	2003	2004	2005	2006
Expenses				
Governmental Activities [1]:				
Public safety	\$ 1,833,954	\$ 2,158,121	\$ 2,157,623	\$ 2,570,307
Fire	1,145,958	1,318,659	1,475,376	1,565,570
Community services	--	--	--	1,649,758
Culture & Recreation	1,043,990	1,048,510	1,173,264	--
Public works	--	--	--	4,105,885
Highways & Streets	1,778,484	698,839	3,415,957	--
Planning and community development	--	--	--	596,687
Community development	444,553	394,067	350,040	--
Economic development	314,892	246,323	206,577	--
City administration	--	--	--	594,134
Financial and administrative services	--	--	--	725,165
General Government	1,429,309	1,476,264	1,811,599	--
Interest on Long-Term Debt	1,582,717	870,298	769,953	578,365
Total Governmental Activities Expenses	<u>9,573,857</u>	<u>8,211,081</u>	<u>11,360,389</u>	<u>12,385,871</u>
Business-type Activities [2]:				
Water and wastewater	7,033,190	7,288,289	7,775,047	8,384,025
Storm Water Utility	--	--	295,597	207,768
Total Business-type Activities Expenses	<u>7,033,190</u>	<u>7,288,289</u>	<u>8,070,644</u>	<u>8,591,793</u>
Total Primary Government Expenses	<u>\$ 16,607,047</u>	<u>\$ 15,499,370</u>	<u>\$ 19,431,033</u>	<u>\$ 20,977,664</u>
Program Revenues				
Governmental Activities [1]:				
Charges for Services:				
Public safety	\$ 239,822	\$ 447,107	\$ 492,359	\$ 133,700
Community services	--	--	--	853,092
Culture & Recreation	104,945	97,960	130,454	--
Planning and community development	--	--	--	661,209
City administration	--	--	--	7,890
Finance and administrative services	--	--	--	252,636
General Government	1,108,355	1,099,768	1,147,641	--
Operating Grants and Contributions	2,476	25,716	159,282	211,840
Capital Grants and Contributions	--	36,796	5,786	688,101
Total Governmental Activities Program Revenues	<u>1,455,598</u>	<u>1,707,347</u>	<u>1,935,522</u>	<u>2,808,468</u>
Business-type Activities [2]:				
Charges for Services:				
Water and wastewater	5,829,380	5,622,897	7,200,377	8,624,995
Storm Water Utility	--	--	295,598	364,504
Operating Grants and Contributions	--	--	1,208,704	--
Capital Grants and Contributions	--	886,106	--	1,265,180
Total Business-type Activities Program Revenues	<u>5,829,380</u>	<u>6,509,003</u>	<u>8,704,679</u>	<u>10,254,679</u>
Total Primary Government Program Revenues	<u>\$ 7,284,978</u>	<u>\$ 8,216,350</u>	<u>\$ 10,640,201</u>	<u>\$ 13,063,147</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (8,118,259)	\$ (6,503,734)	\$ (9,424,867)	\$ (9,577,403)
Business-type Activities	(1,203,810)	(779,286)	634,035	1,662,886
Total Primary Government Net Expense	<u>\$ (9,322,069)</u>	<u>\$ (7,283,020)</u>	<u>\$ (8,790,832)</u>	<u>\$ (7,914,517)</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. This information is presented using the accrual basis of accounting.

[1] Fiscal year 2005 as restated. See Note I.f.

[2] Reporting for governmental activities has been re-categorized according to City of Corinth budgetary department functions. See Note II.A. for a detailed discussion of the legal level of budgetary control.

TABLE E-3

CITY OF CORINTH, TEXAS

GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS

LAST THREE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(Unaudited)

	Fiscal Year			
	2003	2004	2005 [1]	2006
Net (Expense)/Revenue				
Governmental Activities	\$ (8,118,258)	\$ (6,503,734)	\$ (9,424,867)	\$ (9,577,403)
Business-type Activities	(1,203,810)	(779,286)	634,034	1,662,886
Total Primary Government Net Expense	\$ (9,322,068)	\$ (7,283,020)	\$ (8,790,833)	\$ (7,914,517)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Property Taxes	\$ 3,689,016	\$ 6,515,600	\$ 6,841,794	\$ 6,894,264
Franchise Taxes	676,333	832,345	742,121	1,289,688
Sales Taxes	855,211	824,038	1,114,945	1,441,016
Other Taxes	3,586	18,297	4,169	--
Investment Earnings	47,337	86,918	114,676	427,975
Miscellaneous	2,260,952	531,844	236,163	37,082
Transfers	780,000	(559,938)	(486,669)	(22,500)
Total Governmental Activities	\$ 8,312,435	\$ 8,249,104	\$ 8,567,199	\$ 10,067,525
Business-type Activities:				
Investment Earnings	8,934	51,133	120,742	95,712
Miscellaneous	1,201,954	--	19,606	19,983
Transfers	(680,000)	559,938	485,120	22,500
Total Business-type Activities	530,888	611,071	625,468	138,195
Total Primary Government	\$ 8,843,323	\$ 8,860,175	\$ 9,192,667	\$ 10,205,720
Change in Net Assets				
Governmental Activities	\$ 194,177	\$ 1,745,370	\$ (857,668)	\$ 490,122
Business-type Activities	(672,922)	(168,215)	1,259,502	1,801,081
Total Primary Government	\$ (478,745)	\$ 1,577,155	\$ 401,834	\$ 2,291,203

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. This information is presented using the accrual basis of accounting.

[1] Fiscal year 2005 as restated. See Note I.F.

CITY OF CORINTH, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(Unaudited)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 2,321,856	\$ 70,996	\$ 60,234	\$ 88,311
Unreserved	1,559,978	2,339,649	3,265,498	3,260,842	4,554,602	3,254,610	650,644	2,835,785	4,016,196	5,574,039
Total General Fund	\$ 1,559,978	\$ 2,339,649	\$ 3,265,498	\$ 3,260,842	\$ 4,554,602	\$ 3,254,610	\$ 2,972,500	\$ 2,906,781	\$ 4,076,430	\$ 5,662,350
All Other Governmental Funds										
Reserved	\$ 163,180	\$ 765,220	\$ 974,336	\$ 1,149,027	\$ 1,360,246	\$ 1,857,159	\$ 2,336,307	\$ 3,158,826	\$ 1,811,859	\$ 1,259,957
Unreserved, Reported In:										
Special Revenue Funds	--	--	--	--	--	--	59,568	32,373	247,791	792,626
Capital Projects Funds	--	3,438,459	8,712,615	8,807,930	8,410,923	6,123,649	1,698,645	707,092	930,290	1,672,512
Debt Service Funds	--	--	--	--	--	--	--	--	--	--
Total All Other Governmental Funds	\$ 163,180	\$ 4,203,679	\$ 9,686,951	\$ 9,956,957	\$ 9,771,169	\$ 7,980,808	\$ 4,094,520	\$ 3,898,291	\$ 2,989,940	\$ 3,725,095

[1] Fiscal year 2005 as restated. See Note I.F.

CITY OF CORINTH, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(Unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 1,806,481	\$ 2,484,819	\$ 3,284,384	\$ 4,365,186	\$ 5,722,419	\$ 6,313,191	\$ 7,198,835	\$ 8,107,616	\$ 8,779,829	\$ 9,618,306
Licenses, Fees and Permits	296,185	734,859	1,046,199	1,303,793	1,729,410	1,243,710	1,108,403	909,512	916,794	661,652
Fines and Penalties	110,819	166,526	230,003	253,877	307,781	233,218	401,998	645,562	393,693	657,395
Charges for Services	13,925	16,549	16,890	34,140	39,120	42,465	87,905	212,917	423,299	468,651
Special Assessments	35,995	185,320	172,154	95,440	98,381	725	431	--	--	--
Intergovernmental	--	--	--	--	--	--	--	--	--	64,138
Investment Earnings	62,571	74,743	97,776	177,509	180,836	75,210	47,424	27,843	91,574	427,975
Other Revenues	118,616	263,207	586,189	151,078	613,836	144,086	24,173	546,344	323,557	433,153
Total Revenues	2,444,592	3,926,023	5,433,595	6,391,023	8,691,783	8,052,605	8,869,169	10,449,794	10,928,746	12,331,270
Expenditures										
Public safety	690,587	907,914	1,145,875	1,558,794	2,263,152	2,770,171	1,833,954	2,158,121	2,157,623	2,532,277
Fire	--	--	--	--	--	--	1,145,958	1,318,659	1,475,376	1,565,570
Community services	--	--	--	--	--	--	--	--	--	1,722,157
Culture & Recreation	75,920	148,243	259,159	498,909	759,170	1,070,709	1,043,990	1,048,510	1,079,253	--
Public works	--	--	--	--	--	--	--	--	--	--
Highways & Streets	439,992	667,349	953,635	927,986	1,201,901	1,192,125	1,778,434	698,839	1,051,583	1,678,825
Planning and community development	--	--	--	--	--	--	--	--	--	584,199
Community development	178,262	207,722	511,156	662,296	651,610	534,481	444,553	394,067	350,040	--
Economic development	--	--	--	--	--	--	314,892	246,323	206,577	--
City administration	--	--	--	--	--	--	--	--	--	471,180
Finance and administrative services	--	--	--	--	--	--	--	--	--	669,849
General Government	389,493	469,690	646,081	923,394	1,055,782	1,217,509	1,429,309	1,476,264	2,159,873	--
Capital Outlay	492,055	516,335	255,145	226,677	444,194	240,069	173,499	43,033	--	--
Debt Service	--	--	--	--	--	--	--	--	--	--
Interest	43,630	333,810	296,707	1,020,490	1,066,865	765,605	1,582,717	870,298	749,545	580,911
Principal	55,000	174,432	299,076	755,316	900,924	679,744	741,250	776,750	1,415,000	1,437,500
Paying agent fees	--	--	--	--	--	--	--	--	4,038	6,478
Bond issuance costs	--	--	--	--	--	--	--	--	--	65,363
Total Expenditures	2,344,939	3,425,495	4,368,834	6,573,863	8,343,599	8,470,413	10,488,556	9,030,864	10,644,870	11,314,309
Excess Over (Under) Expenditures	99,653	500,528	1,064,761	(192,840)	348,184	(417,808)	(1,619,387)	1,418,930	283,876	1,016,961
Other Financing Sources (Uses)										
Bonds Issued	--	8,540,000	7,000,000	2,500,000	2,530,000	--	--	--	1,200,000	3,962,400
Payments to Escrow Agent	--	--	--	--	--	--	--	--	--	(4,025,732)
Bond premium/discount	--	--	--	--	--	--	--	--	--	36,272
Capital Lease	--	--	--	--	--	--	--	--	107,346	--
Transfers In (Out)	--	--	--	--	--	--	--	--	--	309,009
Total Other Financing Sources (uses)	--	8,540,000	7,000,000	2,500,000	2,530,000	--	--	--	1,307,346	281,949
Net Change in Fund Balances	\$ 99,653	\$ 9,040,528	\$ 8,064,761	\$ 2,307,160	\$ 2,878,184	\$ (417,808)	\$ (1,619,387)	\$ 1,418,930	\$ 1,591,222	\$ 1,298,910
Debt Service As A Percentage	5.30%	17.50%	14.50%	28.00%	24.90%	17.60%	22.50%	18.30%	20.30%	17.80%
Of Noncapital Expenditures										

CITY OF CORINTH, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(Unaudited)

Fiscal Year	Property Tax	Sales & Use Tax	Franchise Tax	Total
1997	\$ 1,129,572	\$ 246,271	\$ 247,189	\$ 1,623,032
1998	1,465,583	340,883	288,457	2,094,923
1999	1,655,431	532,101	359,493	2,547,025
2000	2,046,719	630,910	426,105	3,103,734
2001	2,605,287	1,051,527	507,748	4,164,562
2002	3,077,928	592,638	637,470	4,308,036
2003	3,689,016	855,211	645,301	5,189,528
2004	4,306,483	824,038	832,345	5,962,866
2005	4,762,241	952,897	733,510	6,448,648
2006	6,887,602	1,441,016	1,289,688	9,618,306
Percent Change 1997-2006	509.8%	485.1%	421.7%	492.6%

CITY OF CORINTH, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Residential Property	Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1997	\$ 225,678,642	\$ 74,107,877	\$ 771,928	\$ 299,014,591	0.4285	--	--
1998	280,553,224	82,830,851	864,296	362,519,779	0.4285	--	--
1999	355,184,620	77,595,135	1,372,990	431,406,765	0.4885	--	--
2000	500,357,852	113,480,924	1,935,526	611,903,250	0.5260	--	--
2001	650,290,871	131,283,224	3,398,657	778,175,438	0.5260	787,210,926	98.852%
2002	783,264,024	182,889,530	4,840,629	961,312,925	0.5260	966,067,978	99.508%
2003	860,425,894	198,037,277	4,719,761	1,053,743,410	0.5260	1,072,292,044	98.270%
2004	956,475,535	182,760,928	4,293,853	1,134,942,610	0.5498	1,148,698,875	98.802%
2005	1,008,448,363	181,575,304	3,795,317	1,186,228,350	0.5606	1,196,002,733	99.183%
2006	1,042,745,727	184,523,945	12,223,388	1,215,046,284	0.5570	1,225,470,133	99.149%

Source: Denton Central Appraisal District. Actual taxable value for fiscal years 1997-2000 is not available.

CITY OF CORINTH, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates			
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Denton Independent School District	Lake Dallas Independent School District	Corinth Municipal Utility District	Denton County
1997	\$ 0.3685	\$ 0.0600	\$ 0.4285	\$ 1.6607	\$ 1.4900	--	\$ 0.2669
1998	0.3933	0.0952	0.4885	1.7750	1.5200	--	0.2559
1999	0.3627	0.1633	0.5260	1.8500	1.5700	--	0.2488
2000	0.3247	0.2013	0.5260	1.7000	1.4620	0.3800	0.2350
2001	0.3290	0.1970	0.5260	1.8440	1.6600	0.3300	0.2319
2002	0.3180	0.2080	0.5260	1.8540	1.6900	0.3100	0.2519
2003	0.3404	0.1856	0.5260	1.8640	1.6900	0.3106	0.2490
2004	0.3676	0.1821	0.5497	1.8640	1.7400	0.3300	0.2472
2005	0.3933	0.1673	0.5606	1.8640	1.7950	0.3210	0.2548
2006	0.4324	0.1246	0.5570	1.8640	1.8600	0.3100	0.2465

Source: Denton Central Appraisal District

CITY OF CORINTH, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
TXU Electric Delivery Co	\$ 13,599,050	1	1.12%	\$ 4,581,950	3	1.26%
Labinal-Corinth, Inc.	11,324,948	2	0.93%	--	--	--
Boeing Defense & Space	7,087,474	3	0.58%	34,141,059	1	9.40%
Upsilon Corporation	6,201,810	4	0.51%	--	--	--
Kensington Square LP PS	5,952,301	5	0.49%	--	--	--
Denton County Elec Coop	5,873,616	6	0.48%	2,229,426	9	0.61%
Albertson's	5,765,880	7	0.47%	--	--	--
Utter, Bill	5,674,970	8	0.47%	--	--	--
Utter Properties, LLC	5,280,466	9	0.43%	--	--	--
CMC Land Inc	4,256,394	10	0.35%	--	--	--
Adelhostar Enterprises LTD	4,216,003	11	0.35%	--	--	--
Century Telephone	3,635,401	12	0.30%	2,835,351	6	0.78%
McClain, Larry	3,519,205	13	0.29%	--	--	--
Corinth Autumn Oaks LP	3,302,862	14	0.27%	--	--	--
777 Lakes LP	3,236,646	15	0.27%	--	--	--
Pulte Homes of Texas LP	3,228,552	16	0.27%	--	--	--
Oakmont Management Corporation	3,058,258	17	0.25%	2,652,220	7	0.73%
Pinnell Square LP	2,954,679	18	0.24%	--	--	--
WP Corith Holdings LLC Etal	2,926,812	19	0.24%	--	--	--
Denton Harley-Davidson LP	2,838,904	20	0.23%	--	--	--
Boeing Defense & Space	--	--	--	7,932,233	2	2.18%
Beal Mortgage	--	--	--	3,089,393	4	0.85%
Hillwood Oakmont LTD P/S	--	--	--	2,920,602	5	0.80%
Oakmont Golf Sites LTD	--	--	--	2,326,500	8	0.64%
Huffines Jeep Eagle Mazda	--	--	--	1,623,864	10	0.45%
State Farm Mutual Auto Ins Co	--	--	--	1,510,395	11	0.42%
McClain's RV	--	--	--	1,378,913	12	0.38%
David Weekly Homes	--	--	--	1,236,218	13	0.34%
G&G Development P/S LTD	--	--	--	997,281	14	0.27%
McNatt , Jim etal	--	--	--	955,490	15	0.26%
Acme Brick	--	--	--	908,052	16	0.25%
Kohnert, Harold A, Etal	--	--	--	902,368	17	0.25%
Ziff Investment Partners	--	--	--	894,101	18	0.25%
Beazer Homes Tex LP P/S	--	--	--	867,030	19	0.24%
Texas Smokehouse Foods, Inc	--	--	--	864,822	20	0.24%
Total	\$ 103,934,231		8.54%	\$ 74,847,268		20.60%

Source: Denton Central Appraisal District

CITY OF CORINTH, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 1,242,682	\$ 1,181,585	95.08%	\$ 59,276	\$ 1,240,861	99.85%
1998	1,795,742	1,709,226	95.18%	85,198	1,794,424	99.93%
1999	2,231,215	2,113,930	94.74%	115,354	2,229,284	99.91%
2000	3,166,393	3,039,025	95.98%	125,073	3,164,098	99.93%
2001	4,027,701	3,874,706	96.20%	149,428	4,024,134	99.91%
2002	4,999,407	4,930,784	98.63%	63,492	4,994,276	99.90%
2003	5,436,978	5,038,229	92.67%	392,550	5,430,779	99.89%
2004	6,049,602	5,983,684	98.91%	59,286	6,042,970	99.89%
2005	6,595,499	6,463,636	98.00%	75,848	6,539,484	99.15%
2006	6,770,070	6,706,697	99.06%	--	6,706,697	99.06%

Sources: Denton Central Appraisal District

CITY OF CORINTH, TEXAS
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS
(Unaudited)

	Calendar Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 [1]
Agriculture, Forestry and Fishing	\$ 74,390	\$ 111,738	\$ 99,218	\$ 68,431	\$ 225,309	\$ 288,145	\$ 368,182	\$ 1,701,873	\$ 1,575,004	\$ 773,958
Construction	194,685	--	141,415	138,052	1,025,868	2,330,396	3,852,175	564,614	9,503	--
Manufacturing	2,195,502	3,864,582	5,530,702	895,101	203,668	289,864	358,527	301,795	754,783	2,523,836
Transportation, Communications and Utilities	--	--	3,658,398	28,027,521	42,689,585	50,548,742	76,007,439	82,638,801	98,276,725	38,963,848
Wholesale Trade	1,629,023	355,113	295,358	4,224,189	12,418,261	3,271,874	4,037,199	2,612,741	330,578	100,988
Retail Trade	5,136,589	14,593,613	18,895,309	22,389,649	24,658,143	27,929,397	29,002,808	29,599,390	31,313,395	16,209,088
Services	2,966,242	4,312,718	8,032,304	9,584,134	9,454,078	8,669,961	8,947,589	10,032,231	8,732,422	4,563,184
All Other Outlets	--	--	--	--	--	--	--	--	--	--
Total	\$ 12,196,431	\$ 23,237,764	\$ 36,652,704	\$ 65,327,077	\$ 90,674,912	\$ 93,328,379	\$ 122,573,919	\$ 127,451,445	\$ 140,992,410	\$ 63,134,902
Direct Sales Tax Rate	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

Source: Office of the Comptroller of the State of Texas

[1] Due to a lag in reporting from the State Comptroller's Office, sales tax for 2006 reports only the first two quarters.

CITY OF CORINTH, TEXAS
 DIRECT AND OVERLAPPING SALES TAX RATES
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Corinth Direct Rate	Corinth Street Maintenance	Eco/Devo Sec 4(B)	Corinth Crime Control
1997	1.00%	--	--	--
1998	1.00%	--	--	--
1999	1.00%	--	--	--
2000	1.00%	--	--	--
2001	1.00%	--	--	--
2002	1.00%	--	--	--
2003	1.00%	--	0.50%	--
2004	1.00%	--	0.50%	--
2005	1.00%	0.25%	0.50%	0.25%
2006	1.00%	0.25%	0.50%	0.25%

Source: Texas State Comptroller

CITY OF CORINTH, TEXAS
PRINCIPAL SALES TAX REMITTERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Tax Remitter Category	Fiscal Year 2006				Fiscal Year 1997		
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers [1]	Tax Liability	Percentage of Total
Transportation, Communications and Utilities	23	2.18%	\$ 31,356	60.59%		\$ --	--
Retail Trade	395	37.37%	538,506	23.01%		170,506	69.24%
Services	274	25.92%	373,546	6.57%		32,126	13.05%
Other	253	23.94%	344,917	6.26%		--	--
Manufacturing	44	4.16%	59,986	2.36%		24,011	9.75%
Agriculture, Forestry, and Fishing	27	2.55%	36,809	1.05%		788	0.32%
Construction	21	1.99%	28,629	0.01%		2,980	1.21%
Wholesale Trade	20	1.89%	27,266	0.15%		15,860	6.43%
Total	1057	100.00%	\$ 1,441,016	100.00%		\$ 246,271	100.00%

Note: Due to Texas state law, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of revenue.

[1] Number of filers in each category is not available for fiscal year 1997.

Fiscal year 2006 represents three quarters of available information from the Texas State Comptroller's Office.

CITY OF CORINTH, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	General Bonded Debt				Other Gov't Activities Debt		
	General Obligation Bonds	Certificates of Obligation/ Tax Notes	Total Tax Supported Debt	Percentage of Actual Taxable Value of Property	Per Capita	Capital Leases	
1997	\$ 454,000	\$ 430,000	884,000	0.30%	68	--	\$
1998	4,919,000	1,215,000	6,134,000	1.69%	682	--	
1999	11,735,250	1,180,000	12,915,250	2.99%	1,252	--	
2000	13,980,750	1,140,000	15,120,750	2.47%	1,216	--	
2001	13,562,000	1,100,000	14,662,000	1.88%	991	--	
2002	15,049,000	1,500,000	16,549,000	1.72%	952	--	
2003	14,437,750	1,355,000	15,792,750	1.50%	853	--	
2004	13,796,000	1,200,000	14,996,000	1.32%	784	--	
2005	13,121,000	1,640,000	14,761,000	1.24%	737	107,346	
2006	13,257,100	135,000	13,392,400	1.10%	715	87,645	

Fiscal Year	Business-type Activities			TOTAL PRIMARY GOVERNMENT			
	Water Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Total Tax Supported Debt	Total Government	Per Capita	Percentage of Personal Income
1997	\$ 105,000	--	\$ 4,614,000	\$ 4,615,000	\$ 5,604,000	841	2.93%
1998	--	3,745,000	1,305,000	5,050,000	1,184,000	1,552	5.32%
1999	--	3,643,750	1,175,000	4,818,750	17,734,000	1,892	6.34%
2000	--	3,503,250	1,040,000	4,543,250	19,664,000	1,710	5.61%
2001	--	3,393,000	895,000	4,288,000	18,950,000	1,384	4.41%
2002	--	3,276,000	740,000	4,016,000	20,565,000	1,302	4.09%
2003	--	3,152,250	5,700,000	3,722,250	19,515,000	1,153	3.54%
2004	--	3,024,000	385,000	3,409,000	18,405,000	1,046	30.31%
2005	--	2,889,000	200,000	3,089,000	18,064,692	1,015	2.93%
2006	--	2,782,600	--	2,782,600	16,350,290	881	2.48%

CITY OF CORINTH, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
1997	\$ 454,000	0.15%	\$ 68
1998	4,919,000	1.36%	682
1999	11,735,250	2.72%	1,252
2000	13,980,750	2.28%	1,216
2001	13,562,000	1.74%	991
2002	15,049,000	1.57%	952
2003	14,437,750	1.37%	853
2004	13,796,000	1.32%	784
2005	13,121,000	1.24%	737
2006	13,257,400	1.09%	715

CITY OF CORINTH, TEXAS

DIRECT AND OVERLAPPING

GOVERNMENTAL ACTIVITIES DEBT

(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
Corinth Municipal Utility District	\$ 775,000	100.000%	\$ 775,000
Denton County	174,702,570	3.120%	5,450,720
Denton Independent School District	465,297,579	4.090%	19,030,671
Lake Dallas Independent School District	90,456,680	41.270%	37,331,472
Other Debt			
Denton County capital leases	448,928	3.120%	14,007
Denton ISD capital leases	376,020	4.090%	15,379
Lake Dallas ISD capital leases	36,864	41.270%	15,214
Subtotal, Overlapping Debt			62,632,463
City Direct Debt			16,175,000
Total Direct and Overlapping Debt			\$ <u>78,807,463</u>

Source: First Southwest Financial Services

CITY OF CORINTH, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 29,901,459	\$ 36,251,978	\$ 43,140,677	\$ 61,190,325	\$ 77,817,544	\$ 96,131,293	\$ 105,374,341	\$ 113,494,261	\$ 118,622,835	\$ 121,504,628
Total Net Debt Applicable to Limit	5,499,000	11,184,000	17,734,000	19,664,000	21,480,000	20,565,000	19,777,300	18,405,000	17,245,000	16,175,000
Legal Debt Margin	\$ 24,402,459	\$ 25,067,978	\$ 25,406,677	\$ 41,526,325	\$ 56,337,544	\$ 75,566,293	\$ 85,597,041	\$ 95,089,261	\$ 101,377,835	\$ 105,329,628
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	18.39%	30.85%	41.11%	32.14%	27.60%	21.39%	18.77%	16.22%	14.54%	13.31%

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ 1,215,046,284
Debt Limit (10% of Assessed Value)	121,504,628
Debt Applicable to Limit:	
General Obligation Bonds	16,175,000
Less: Amount Set Aside for Repayment of General Obligation Debt	1,256,216
Net Debt Applicable to Limit	14,918,784
Legal Debt Margin	\$ 106,585,844

CITY OF CORINTH, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN CALENDAR YEARS
 (Unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Population [1]	6,663	7,208	9,374	11,500	13,688	15,800	16,919	17,592	17,800	18,550
Median Household Income [2]	\$ 73,022	\$ 74,159	\$ 75,797	\$ 78,345	\$ 80,574	\$ 81,484	\$ 83,714	\$ 85,943	\$ 88,855	\$ 91,266
Per Capita Personal Income [3]	\$ 28,741	\$ 29,188	\$ 29,833	\$ 30,492	\$ 31,360	\$ 31,855	\$ 32,581	\$ 33,449	\$ 34,582	\$ 35,521
Median Age [4]	--	--	--	31	31	31	31	31	31	31
Education Level [5]										
High school graduate (or equivalent)	--	--	--	17%	17%	17%	17%	17%	17%	17%
Some college/associate's degree	--	--	--	40%	40%	40%	40%	40%	40%	40%
Bachelor's degree	--	--	--	28%	28%	28%	28%	28%	28%	28%
Master's, professional or doctorate	--	--	--	11%	11%	11%	11%	11%	11%	11%
School Enrollment [6]	1,740	1,882	2,448	3,003	3,574	4,126	4,418	4,594	4,648	4,844
Unemployment [7]	2.3%	2.0%	1.9%	2.0%	3.0%	4.7%	5.0%	4.1%	4.2%	3.8%

[1] Population data is an estimate from the North Central Texas Council of Governments.

[2] Median household income is an estimate based on the 2000 Census data using the Dallas/Fort Worth area Consumer Price Index for each year.

[3] PerCapita personal income is an estimate based on the 2000 Census data using the Dallas/Fort Worth area Consumer Price Index for each year.

[4] Median age per the 2000 U.S. Census.

[5] Education level per the 2000 U.S. Census.

[6] School enrollment is an estimate based on the 2000 Census and the population growth for each year.

[7] Unemployment rate for Denton County, Texas per the North Central Texas Council of Governments.

CITY OF CORINTH, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

(Unaudited)

Employer	2006			1997 [1]		
	Employees	Rank	Percentage of Total City Employment [2]	Employees	Rank	Percentage of Total City Employment
Labinal	600	1	--	--	--	--
CoServ	220	2	--	--	--	--
North Central Texas College	150	3	--	--	--	--
Albertsons	130	4	--	--	--	--
Bill Utter Ford	125	5	--	--	--	--
Huffines Jeep-Eagle-Mazda	60	6	--	--	--	--
McClain's RV Super Store	55	7	--	--	--	--
State Farm Regional Claims Center	47	8	--	--	--	--
Metroplex Cabinets	40	9	--	--	--	--
TXU Electric Delivery	28	10	--	--	--	--
Lake Cities Fire Department	24	11	--	--	--	--
Oakmont Country Club	20	12	--	--	--	--
Total	1,499		--	--		--

Source: City Economic Development Division

[1] 1997 Employer data is unavailable.

[2] The percent of total City employment attributable is less than 1/10 of one percent for all of the above employers.

CITY OF CORINTH, TEXAS
FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

Function/Program	Full-Time-Equivalent Employees as of Year End									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
City Administration	3.0	4.0	4.0	5.0	5.0	5.0	4.0	3.0	3.0	3.0
Police	15.0	17.0	17.0	20.0	22.0	22.0	25.0	25.0	26.0	29.0
Animal Control	--	--	--	--	--	--	1.0	1.0	1.5	1.5
Lake Cities Fire Department [1]	--	--	--	--	--	--	39.0	39.0	36.0	38.0
Streets	5.4	7.9	9.4	11.4	12.9	12.9	12.4	5.4	7.4	7.4
Community Development [2]	3.0	3.0	9.0	13.0	12.0	12.0	9.0	8.0	8.0	5.0
Fleet Maintenance	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Planning	--	--	--	--	2.0	2.0	3.0	3.0	--	2.0
Code Enforcement [2]	3.0	3.0	--	--	--	--	--	--	3.0	3.0
Parks & Recreation	3.0	7.0	7.0	11.0	13.5	14.0	16.0	18.0	17.0	17.0
Municipal Court	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Finance [3]	2.0	3.5	3.5	7.0	7.0	7.0	6.0	7.0	8.0	5.0
Human Resources [3]	--	--	--	--	--	--	--	--	--	2.0
Information Services [3]	--	--	--	--	--	--	--	--	--	1.0
Water/Wastewater Fund										
Water/Wastewater	14.1	15.1	18.6	20.6	23.1	23.1	26.6	26.6	26.6	23.6
Utility Billing	--	--	--	--	--	--	--	--	--	3.0
Storm Drainage Fund	--	--	--	--	--	--	--	--	3.0	3.0
Corinth Economic Development Corp.	--	--	--	--	--	--	--	--	--	2.0
Crime Control District Fund	--	--	--	--	--	--	--	--	--	1.0
Total	51.5	63.5	71.5	93.0	102.5	103.0	147.0	141.0	144.5	152.5

Source: Finance and Administrative Services Department

[1] The Lake Cities Fire Department is a separate entity for which the City of Corinth is responsible for approximately 55% of total operations.

[2] In fiscal year 1999 the Code Enforcement division was combined with Community Development.

[3] In fiscal year 2006, the Human Resources and Information Services divisions were reported separately from the Finance division.

CITY OF CORINTH, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Building Permits Issued	392	777	788	596	507	387	345	264	217	123
Building Inspections Conducted	478	1,112	1,365	1,070	1,334	1,495	1,437	1,152	725	382
Police										
Physical Arrests	314	484	626	700	586	431	535	528	713	836
Parking Violations	--	54	68	70	164	75	91	117	105	38
Traffic Violations	3,346	4,019	4,455	5,236	4,391	4,958	5,379	6,471	4,940	8,711
Fire [1]										
Emergency Responses	--	--	554	640	758	708	718	810	921	930
Fires Extinguished	--	--	--	--	33	23	21	18	33	29
Inspections	--	--	--	--	--	--	--	--	--	137
Other Public Works [2]										
Street Resurfacing (miles)	--	--	--	--	--	--	1	1	<1	<1
Potholes Repaired	--	--	--	--	--	1,076	1,843	1,265	1,040	461
Parks and Recreation [3]										
Classes offered (hours)	--	--	--	--	--	--	--	669	816	565
Participants	--	--	--	--	--	--	--	4,419	4,883	4,150
Special events	--	--	--	--	--	--	--	123	111	124
Participants	--	--	--	--	--	--	--	18,255	15,639	21,284
Recreation center general use (hours)	--	--	--	--	--	--	--	4,052	8,735	12,453
Water										
New Connections	484	738	738	640	177	478	382	234	202	131
Water Main Breaks [4]	--	--	--	--	--	--	31	41	37	47
Average Daily Consumption (millions of gallons)	0.68	1.16	1.62	2.14	2.09	2.44	2.79	2.52	3.00	3.55
Peak Daily Consumption (millions of gallons)	1.55	2.67	4.68	6.01	5.81	5.73	8.10	7.15	7.04	7.35
Wastewater										
Average Daily Sewage Treatment [5] (millions of gallons)	0.40	0.44	0.48	0.49	0.59	0.53	0.52	0.66	0.72	0.67
Upper Trinity Regional Water District	0.60	0.66	0.72	0.74	0.16	0.41	0.60	0.46	0.39	0.73
City of Denton										

[1] Data for emergency responses is unavailable for 1997-1998; data for fires extinguished is unavailable for 1997-2000.

[2] The Corinth Streets Division of Public Works did not track operating indicators prior to fiscal year 2002.

[3] The City of Corinth built a recreation facility for classes and special events in fiscal year 2003.

[4] Water main breaks were not tracked as an operating indicator before fiscal year 2003.

[5] The City of Corinth has two contracts for waste disposal. Flows sent to Upper Trinity are metered. Flows sent to Denton are based on some metered flow and an estimate based on house count.

CITY OF CORINTH, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Stations	1	1	1	1	1	1	1	1	2	2
Patrol Units	8	10	13	17	13	12	13	13	18	23
Fire Stations	--	--	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	54	55	63	72	76	76	78	90	95	100
Highways (miles)	3.0	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Traffic Signals	--	--	--	--	--	--	--	--	--	1
Parks and Recreation										
Acreage	141	141	156	166	166	182	182	182	182	182
Playgrounds	2	3	3	4	6	8	8	9	10	10
Baseball/Soccer Fields	--	--	--	--	5	5	7	7	7	7
Soccer/Football Fields	--	--	--	--	3	3	6	6	6	6
Recreation Centers	--	--	--	--	1	2	2	2	2	2
Trails (miles)	--	--	--	--	--	--	--	--	11.66	11.66
Water										
Connections	2,930	3,592	4,330	4,970	5,147	5,625	6,007	6,241	6,443	6,574
Water Mains (miles)	--	--	--	--	--	--	--	102	103	105
Fire Hydrants	367	449	582	646	668	680	693	695	728	750
Storage Capacity (millions of gallons)	2.5	2.5	3.0	3.0	6.0	6.0	6.0	6.0	6.0	6.0
Subscribed Capacity, UTRWD (mgd)	2.0	2.0	5.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Wastewater										
Connections	--	3,309	4,064	4,544	5,061	5,395	5,715	6,025	6,222	6,267
Sanitary Sewers (miles)	--	--	--	--	72.1	82.0	87.0	94.0	94.0	95.2
Storm Sewers (miles)	3.48	6.80	11.79	13.59	14.08	19.08	21.08	23.06	26.04	30.04
Treatment Capacity, UTRWD (mgd) [1]	--	--	--	--	1.61	1.61	1.61	1.61	1.61	1.61
Treatment Capacity, City of Denton (mgd) [1]	--	--	--	--	--	--	--	--	--	--

Sources: Various city departments

[1] The City of Denton bills the City of Corinth based on two wastewater flow meters and an estimate based on connection count. UTRWD uses a take-or-pay system of billing in which the member city (Corinth) purchases capacity.

This page intentionally left blank.