

City of Rowlett, Texas

Investment Performance Review
Quarter Ended June 30, 2012



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TAB I

Economic Highlights

- A slew of reports indicated that the U.S. economy had slowed from the moderate pace of growth seen in the first quarter. The downshift was reflected in slowing retail sales and business activity.
- There were 69,000 new jobs created in May after averaging 252,000 jobs per month in the first quarter. The unemployment rate rose to 8.2% in May from 8.1% in April, its first increase since June 2011.
- The Federal Open Market Committee (FOMC) lowered its growth forecast and raised its unemployment forecast following its meeting on June 20. The FOMC also announced that “Operation Twist” will continue through the end of the year, resulting in the purchases and sales of an additional \$267 billion in Treasury securities.
- The National Association of Home Builders/Wells Fargo Housing Market Index ticked up a point in June to 29—the highest rating since May 2007—and new home sales for May reached 369,000, a 20% increase over the same time last year, adding more evidence of a recovery in housing.
- Economists expect falling gas prices to buoy consumer confidence going forward following four consecutive monthly declines, and this in turn should support personal consumption.
- Spain became the fourth European Union (EU) country to seek a bailout, getting €100 billion in support for its banking system and losses on real estate. In Greece, the pro-bailout party claimed victory in the June 17th election, easing concerns of an imminent exit from the euro currency.
- Chinese manufacturing contracted for an eighth consecutive month according to the flash HSBC PMI released June 21. Manufacturing for exports was directly impacted by the slowdown in Europe, which is China’s largest trading partner.

Bond Markets

- After hitting all-time lows at the beginning of June, Treasury yields increased slightly during the month. The government successfully auctioned off \$172 billion in new Treasury bonds and notes despite the all-time low yields.
- Spreads on corporate bonds issued by 15 international banks narrowed following the announcement on June 21 of downgrades by Moody’s, signaling relief that the downgrades were smaller than had been feared. Corporate bonds, especially financial issues, out-performed comparable-duration Treasuries and Agencies in June.

- Agency spreads finished the month nearly unchanged, and as a result Agency indices outperformed comparable-duration Treasury benchmarks due to their yield advantage.

Equity Markets

- After falling early in the month, stocks rallied during June. The sharpest gains came after the announcement on June 29 that EU officials had agreed to direct support for European banks, a step investors viewed as helpful to the European economy.
- The S&P 500 Index experienced its largest June rally since 1999, and this rally included all ten groups in the index. The industrial, technology, and commodity sectors showed the largest gains.

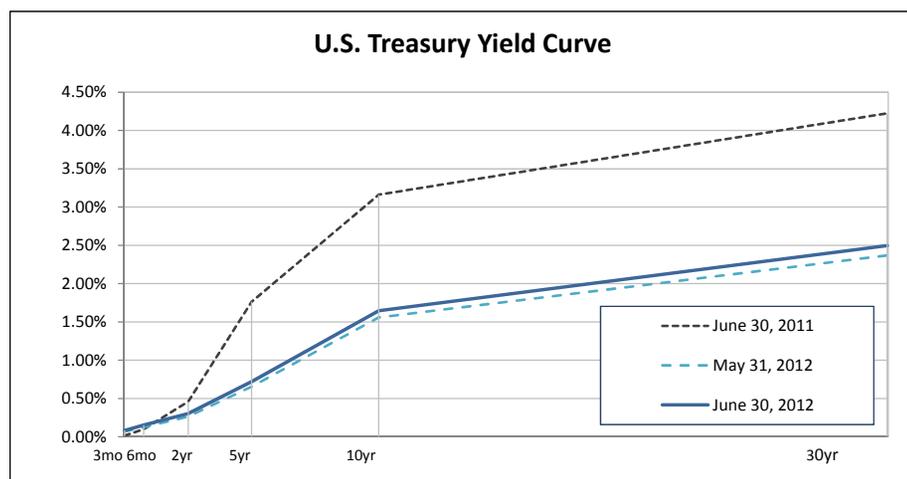
PFM Outlook

- Long-term U.S. Treasury yields remain near historic lows, pressured by an economic outlook for slow growth, diminishing inflation, and a flight to quality.
- The extension of “Operation Twist” announced by the Fed in June will likely keep downward pressure on intermediate-term Treasury yields, as the Fed buys up to \$267 billion in coming months. The action should support rates for Treasuries with maturities of two years and under, as the Fed offsets its purchases by selling short-dated Treasuries.
- A consequence of the FOMC’s actions is that overnight and other short-term rates should remain toward the upper end of the Fed’s zero-to-0.25% band for federal funds.
- Despite evidence of a slowdown in U.S. growth, domestic equities have performed well and corporations continue to strengthen their balance sheets, giving support to corporate bond prices.
- With fixed-rate mortgages at historic lows, high-coupon mortgage-backed securities run the risk of accelerated pay-downs that could depress returns, but some near-current coupon structures continue to hold value. A flood of municipal issues in recent weeks has pushed tax-exempt yields to the point where they may offer value when compared to comparable-maturity Treasuries.

U.S. Treasury Yields				
	June 30, 2011	May 31, 2012	June 30, 2012	Monthly Change (BP)
3 Month	0.02%	0.07%	0.08%	0.02%
6 Month	0.10%	0.12%	0.16%	0.03%
2 Year	0.46%	0.26%	0.30%	0.04%
5 Year	1.76%	0.66%	0.72%	0.06%
10 Year	3.16%	1.56%	1.65%	0.09%
30 Year	4.22%	2.37%	2.50%	0.13%

Federal Agency Yields				
	June 30, 2011	May 31, 2012	June 30, 2012	Monthly Change (BP)
3 Month	0.06%	0.10%	0.12%	0.02%
6 Month	0.11%	0.15%	0.16%	0.01%
2 Year	0.63%	0.42%	0.43%	0.01%
5 Year	2.13%	1.00%	1.06%	0.05%
10 Year	3.54%	2.23%	2.30%	0.08%
20 Year	4.64%	3.17%	3.28%	0.11%

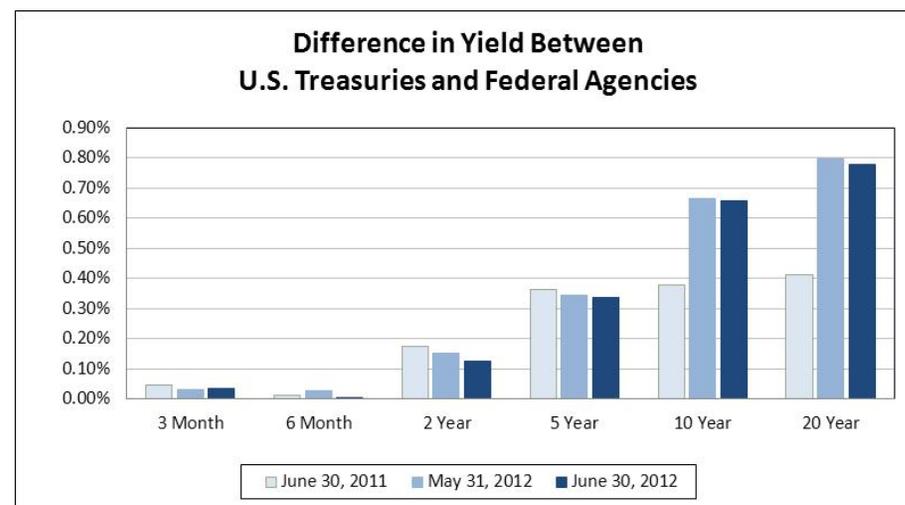
Spot Prices				
	June 30, 2011	May 31, 2012	June 30, 2012	Monthly Change
US Dollars per Euro	\$1.45	\$1.24	\$1.27	2.4%
Crude Oil \$/Barrel	\$95.42	\$86.53	\$84.96	(1.8%)



The shape of the Treasury yield curve steepened slightly for the month.

Upcoming Indicators to Watch					
Release Date	Release	For	Consensus	Prior	
Jul 05	ISM Non-Manf. Composite	Jun	53	53.7	
Jul 06	Unemployment Rate	Jun	8.20%	8.20%	
Jul 09	Consumer Credit	May	\$8.000B	\$6.515B	
Jul 11	Trade Balance	May	-\$48.3B	-\$50.1B	
Jul 11	Wholesale Inventories	May	0.30%	0.60%	
Jul 13	Producer Price Index (MoM)	Jun	-0.70%	-1.00%	
Jul 13	Producer Price Index (YoY)	Jun	--	0.70%	
Jul 13	U. of Michigan Confidence (Preliminary)	Jul	74	73.2	
Jul 16	Advance Retail Sales	Jul	--	-0.20%	
Jul 17	Consumer Price Index (MoM)	Jun	--	-0.30%	
Jul 17	Consumer Price Index (YoY)	Jun	--	1.70%	
Jul 19	Existing Home Sales	Jun	--	4.55M	
Jul 25	New Home Sales	Jun	--	369K	
Jul 26	Durable Goods Orders	Jun	--	1.10%	
Jul 27	GDP QoQ (Annualized)	2Q A	--	1.90%	

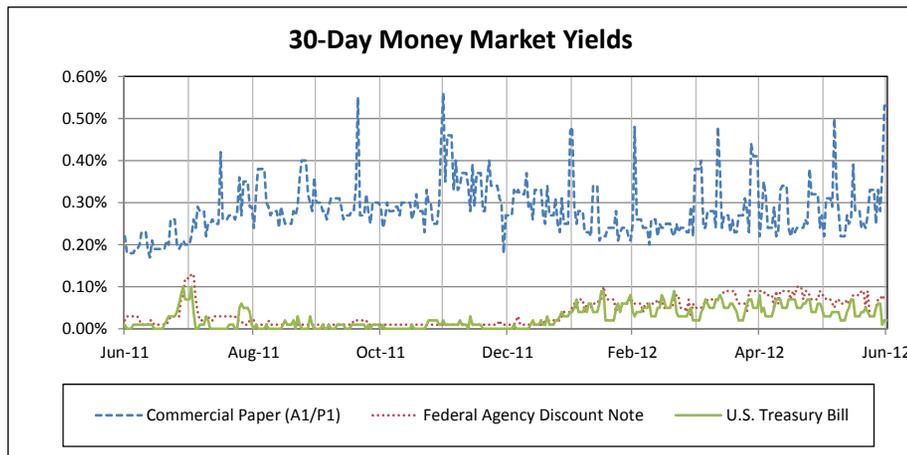
Benchmark Rates				
	June 30, 2011	May 31, 2012	June 30, 2012	Monthly Change
1 Month LIBOR	0.19%	0.24%	0.25%	2.9%
Fed Funds Target Rate	0.25%	0.25%	0.25%	0.0%



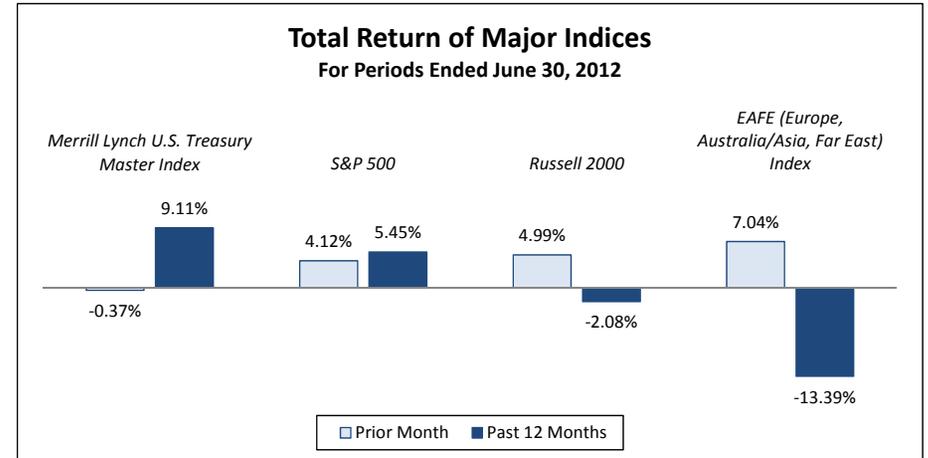
Agency spreads narrowed in June for maturities over three months.



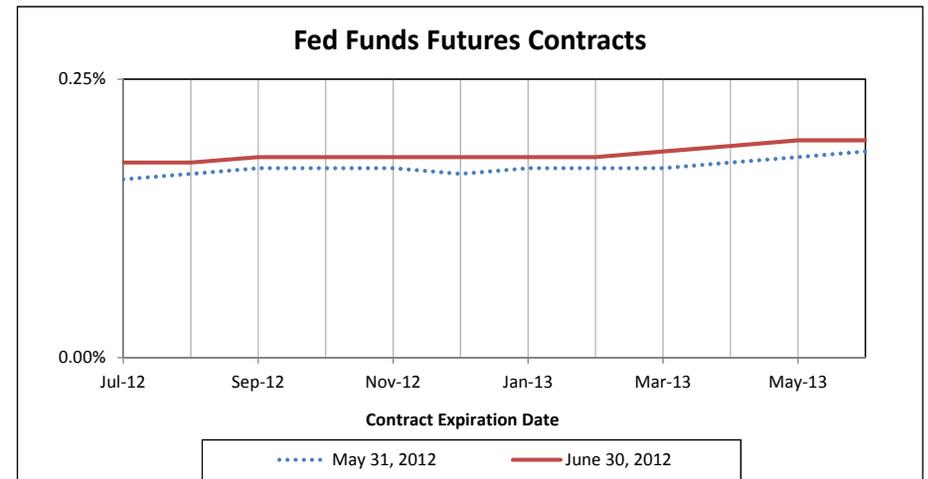
The yield on the two-year U.S. Treasury Note rose from the end of May to the end of June.



Short-term federal agency and Treasury securities remain range bound due to the low Federal Funds target rate.



Stocks rose during June as the European summit at the end of the month calmed investors' fears about the ongoing debt crisis.



Consistent with the Fed's statement about keeping rates low "until at least through late 2014," the market expects no significant change in the federal funds target rate in the near future.

The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC (PFMAM) at the time of distribution and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFMAM cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.

TAB II

Executive Summary

PORTFOLIO STRATEGY

- The City's Long Term Pooled Portfolio is of high credit quality and invested in U.S. Treasury and Federal Agency securities.
- The Long Term Pooled Portfolio's quarterly total return performance of 0.14% underperformed the benchmark performance of 0.19% by 0.05%. This slight underperformance is due to the Portfolio's duration being 71% of the benchmark's duration. The benchmark picked up slightly more value being out farther. We provided a recommendation for extension trades during the quarter but did not receive permission to execute the trades. As a result the Portfolio's duration has continued to decrease as compared to the benchmark.
- The pace of economic activity in the U.S. slowed further in the second quarter, kicking off a strong rally in the Treasury market. Weaker than expected economic data, the continuation of the Fed's Operation Twist program, and a flight-to-quality caused by worsening turmoil in the Euro-Zone pushed long-term yields sharply lower.
- After starting the quarter at a yield of 2.21%, the 10-year Treasury fell 76 basis points (0.76%), hitting an all-time low of 1.45% in early June. At that point, investors decided that getting just 145 pennies of interest each year for every \$100 lent to the U.S. government was perhaps a bad deal, and rates moved modestly higher through June. In contrast to long-term maturities, 2-year Treasury yields stayed within a narrow range of 0.24% to 0.37% as the Federal Reserve's near-zero interest rate policy anchored the front end of the yield curve.
- The turmoil in Europe triggered a shift from the first quarter's "risk on" trade, which strongly favored agencies, corporate bonds and riskier asset classes, to the second quarter's "risk off" trade, which favored Treasuries in April and May. Widening yield spreads created good investment opportunities, though, as market psychology reversed again in June. The quarter ended with a solid rally in spread products. The Portfolio benefitted from the allocation in agency debt.
- The Euro-Zone debt crisis and decelerating growth across the globe will continue to drive the financial markets. Central banks around the world remain accommodative. Additional intervention by the ECB, and perhaps by the U.S. Federal Reserve as well, is likely if conditions weaken. Investments based in U.S. dollars and other non-Euro currencies are perceived as safe-havens, despite their very low yields.
- Another factor driving the U.S. bond market is the prognosis for weaker domestic growth. The U.S. economy will likely muddle through a slow period, but avoid a double dip recession. Consumer spending is expanding, energy costs have fallen, and borrowing costs at record lows have eased debt service burdens. With so much bad news priced into the markets, things could turn out better than expected, which would drive equity prices higher and corporate bond spreads narrower.
- A growth surprise in the U.S. could also kick-start a back-up in yields, but that risk is concentrated in longer maturities. With the Federal Reserve on hold through at least late 2014, shorter-term investments will likely remain range-bound near current levels.
- As always, we strive to maintain safety of principal, while seeking opportunities to add value. Our strategy will remain flexible and may change in response to changes in interest rates, economic data, market outlook or specific opportunities that arise.

Summary Portfolio Statistics

Amortized Cost and Market Value <u>Account Name</u>	Amortized Cost^{1,2,3} June 30, 2012	Amortized Cost ^{1,2,3} <u>March 31, 2012</u>	Market Value^{1,2,3} June 30, 2012	Market Value ^{1,2,3} <u>March 31, 2012</u>	Duration (Years) June 30, 2012
Pooled Funds	N/A	\$999,465.56	N/A	\$999,643.00	N/A
Long Term Pooled Funds	18,800,582.69	18,830,795.92	18,892,690.98	18,929,077.15	1.300
TexPool	32,647,359.90	35,796,695.58	32,647,359.90	35,796,695.58	0.003
Total	\$51,447,942.59	\$55,626,957.06	\$51,540,050.88	\$55,725,415.73	0.478

Yields <u>Account Name</u>	Yield to Maturity on Cost⁴ June 30, 2012	Yield to Maturity on Cost ⁴ <u>March 31, 2012</u>	Yield to Maturity at Market June 30, 2012	Yield to Maturity at Market <u>March 31, 2012</u>	Duration (Years) <u>March 31, 2012</u>
Pooled Funds	N/A	0.37%	N/A	0.24%	0.150
Long Term Pooled Funds	0.71%	0.71%	0.29%	0.33%	1.550
TexPool ⁵	0.14%	0.12%	0.14%	0.12%	0.003
Weighted Average YTM	0.35%	0.32%	0.19%	0.19%	0.531

PFM Managed Portfolios Weighted Average YTM 0.71%

Monthly Interest earnings YTD^{6,7}			
October 2011	\$13,301.10	April 2012	\$26,967.89
November 2011	\$9,773.96	May 2012	\$8,194.32
December 2011	\$2,811.86	June 2012	-\$975.24
January 2012	24,409.31	July 2012	
February 2012	(2,521.21)	August 2012	
March 2012	2,141.77	September 2012	

Notes:

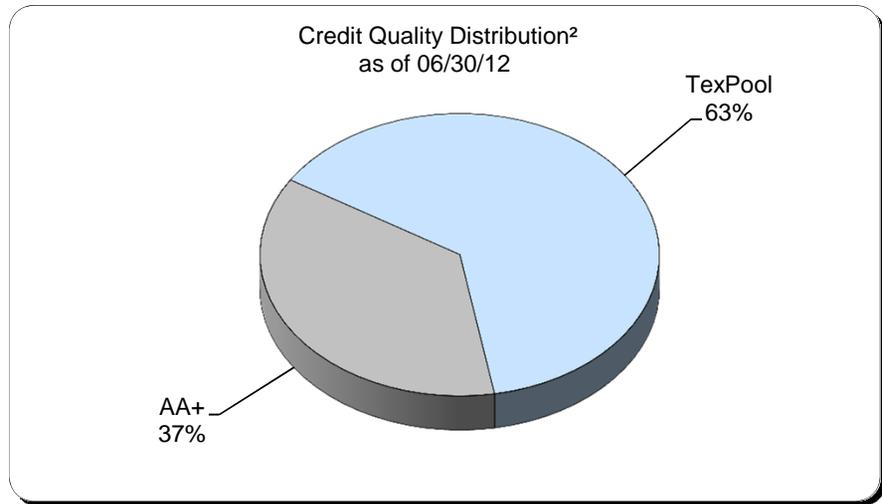
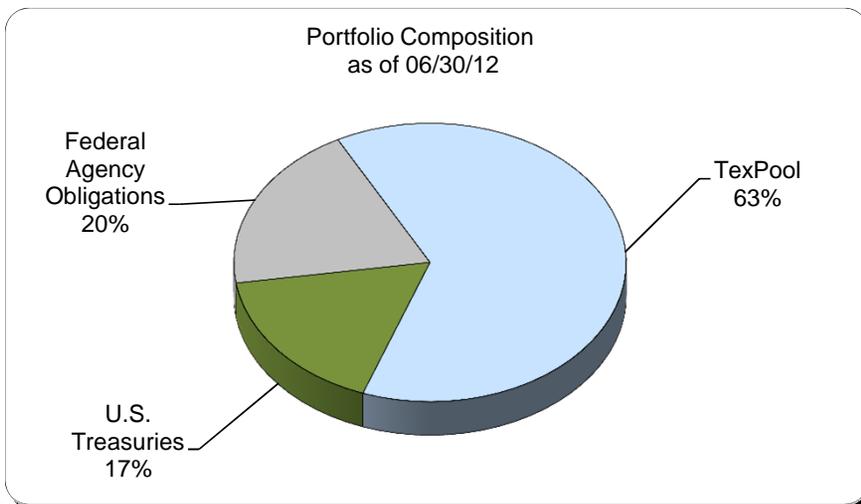
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative of future results.
5. TexPool yield is obtained from www.texpool.com.
6. Earnings are calculated on a cash basis and are subject to the receipt of coupon payments, maturities within the portfolio, and money market fund balances.
7. Earnings are net of fees.

Summary Portfolio Amortized Cost and Market Value Analysis

MONEY MARKET FUNDS					3/31/2012	3/31/2012	3/31/2012	6/30/2012	6/30/2012	6/30/2012	CHANGE IN
CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	MARKET VALUE
TEXPOOL	TEXPOOL		0.000		0.00	35,796,695.58	35,796,695.58	0.00	32,647,359.90	32,647,359.90	-8.80%
					\$0.00	\$35,796,695.58	\$35,796,695.58	\$0.00	\$32,647,359.90	\$32,647,359.90	-8.80%
TOTAL					\$0.00	\$35,796,695.58	\$35,796,695.58	\$0.00	\$32,647,359.90	\$32,647,359.90	-8.80%
POOLED FUNDS											
COMMERCIAL PAPER											
6555P0EP0	NORDEA NORTH AMERICA INC COMM	\$1,000,000	0.000	05/23/12	\$0.00	\$999,465.56	\$999,643.00	\$0.00	\$0.00	\$0.00	0.00%
		\$1,000,000			\$0.00	\$999,465.56	\$999,643.00	\$0.00	\$0.00	\$0.00	-100.00%
TOTAL		\$1,000,000.00			\$0.00	\$999,465.56	\$999,643.00	\$0.00	\$0.00	\$0.00	-100.00%
LONG TERM POOLED FUND											
FED AGY BOND/NOTE											
31398AVD1	FNMA GLOBAL NOTES	\$1,500,000	2.750	02/05/14	\$6,416.67	\$1,567,121.03	\$1,566,688.50	\$16,729.17	\$1,558,046.57	\$1,559,031.00	-0.49%
31398AJ94	FNMA GLOBAL NOTES	1,005,000	1.750	05/07/13	7,035.00	1,003,764.01	1,020,830.76	2,638.13	1,004,042.94	1,017,233.87	-0.35%
3133XGVF8	FHLB GLOBAL BONDS	905,000	5.125	08/14/13	6,055.33	955,150.41	964,831.36	17,650.64	946,047.03	954,189.47	-1.10%
3137EACL1	FHLMC NOTES	810,000	0.875	10/28/13	3,012.19	810,466.88	816,646.86	1,240.31	810,393.15	816,036.93	-0.07%
3133XSAE8	FHLB GLOBAL BENCHMARK NOTES	2,000,000	3.625	10/18/13	32,826.39	2,099,163.70	2,100,246.00	14,701.39	2,083,177.66	2,084,980.00	-0.73%
3137EACZ0	FREDDIE MAC GLOBAL NOTES	2,000,000	0.375	11/27/13	3,125.00	1,997,758.04	2,000,406.00	708.33	1,998,095.96	2,001,552.00	0.06%
31398A5W8	FNMA NOTES	1,600,000	0.750	12/18/13	3,433.33	1,608,376.29	1,611,041.60	433.33	1,607,158.80	1,610,572.80	-0.03%
		\$4,220,000			\$61,903.91	\$10,041,800.36	\$10,080,691.08	\$54,101.30	\$10,006,962.11	\$10,043,596.07	-0.37%
US TSY BOND/NOTE											
912828RZ5	US TREASURY NOTES	\$1,510,000	0.250	1/15/2015	\$798.56	\$1,507,606.94	\$1,500,091.38	\$1,742.31	\$1,507,820.68	\$1,505,634.59	0.37%
912828PD6	US TREASURY NOTES	1,620,000	0.375	10/31/2012	2,553.50	1,619,702.08	1,621,961.72	1,023.51	1,619,829.58	1,621,202.04	-0.05%
912828QL7	US TREASURY NOTES	2,500,000	0.750	3/31/2013	51.23	2,498,771.30	2,512,890.00	4,713.11	2,499,077.03	2,510,057.50	-0.11%
912828PU8	US TREASURY NOTES	600,000	0.500	11/15/2013	1,137.36	596,001.49	601,804.80	383.15	596,611.01	601,711.20	-0.02%
912828PZ7	US TREASURY NOTES	2,500,000	1.250	3/15/2014	1,443.61	2,499,025.58	2,543,750.00	9,171.20	2,499,147.70	2,539,355.00	-0.17%
		\$8,730,000			\$5,984.26	\$8,721,107.39	\$8,780,497.90	\$17,033.28	\$8,722,486.00	\$8,777,960.33	-0.03%
TOTAL		\$12,950,000			\$67,888.17	\$18,762,907.75	\$18,861,188.98	\$71,134.58	\$18,729,448.11	\$18,821,556.40	-0.210%
TOTAL PORTFOLIO		\$13,950,000			\$67,888.17	\$55,559,068.89	\$55,657,527.56	\$71,134.58	\$51,376,808.01	\$51,468,916.30	-7.53%

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>June 30, 2012</u>	<u>% of Portfolio</u>	<u>March 31, 2012</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$8,794,993.61	17.1%	\$8,786,482.16	4.4%
Federal Agencies	10,097,697.37	19.6%	10,142,594.99	49.1%
Commercial Paper	0.00	0.0%	999,643.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
TexSTAR	0.00	0.00%	0.00	0.0%
TexPool	32,647,359.90	63.3%	35,796,695.58	46.5%
Totals	\$51,540,050.88	100.0%	\$55,725,415.73	100.0%

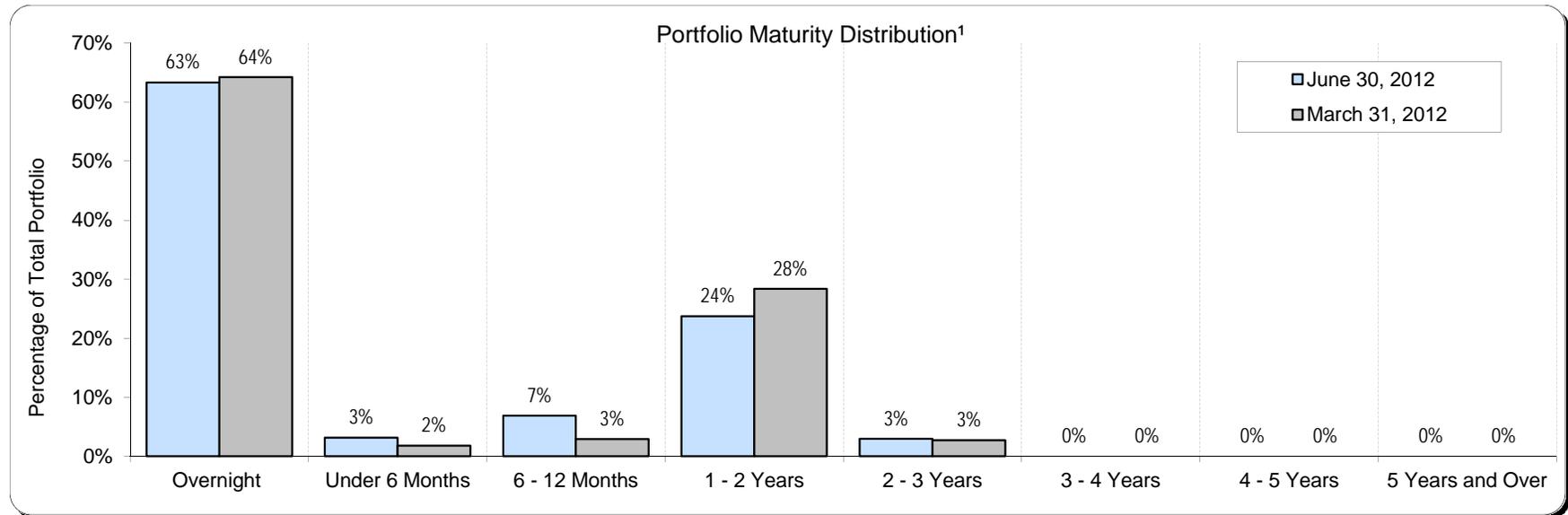


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP. Standard & Poor's is the source of the credit ratings.

Summary Portfolio Maturity Distribution

<u>Maturity Distribution</u> ¹	<u>June 30, 2012</u>	<u>March 31, 2012</u>
Overnight (Money Market Fund)	\$32,647,359.90	\$35,796,695.58
Under 6 Months	1,622,225.55	999,643.00
6 - 12 Months	3,534,642.61	1,624,515.22
1 - 2 Years	12,228,445.92	15,803,671.99
2 - 3 Years	1,507,376.90	1,500,889.94
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$51,540,050.88	\$55,725,415.73



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Summary Portfolio General Ledger Entries¹

Earnings Calculation		Market Value Basis	Source Document
4/30/2012			
April Market Value		54,500,685.04	1 Account Summary Page
April Accrued Interest		47,225.77	2 Account Summary Page
Less (Purchases & Deposits)		(340,281.01)	3 Security Transactions & Interest
Less Purchased Interest			4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		1,500,000.00	5 Security Transactions & Interest
Add Interest Receipts		46,053.49	6 Security Transactions & Interest
Less March Market Value		(55,657,527.56)	7 Account Summary Page
Less March Accrued Interest		(67,888.17)	8 Account Summary Page
Earnings		28,267.56	

Change in Investment Market Value	(1,156,842.52)	(1 - 7)
Change in Accrued Interest	(20,662.40)	(2 - 8)
Change in Cash	1,205,772.48	(sum 3 thru 6)

Investment Entries		Debit	Credit	Source Document
<i>To Record Investment Activity</i>				
Cash		1,159,718.99		Security Transactions & Interest
Investments			1,156,842.52	Amortization/Accretion
Investment Income			2,876.47	Earnings
To record investment income/changes				
Cash		46,053.49		Security Transactions & Interest
Accrued Interest			20,662.40	Accrued Interest Difference
Investment Income			25,391.09	Earnings
To record interest income/changes				

Notes:

1. Earnings are calculated using Market Value. This includes unrealized gains and losses, and income.

Summary Portfolio General Ledger Entries¹

Earnings Calculation		Market Value Basis	Source Document
5/31/2012			
May Market Value		51,964,635.31	1 Account Summary Page
May Accrued Interest		54,973.68	2 Account Summary Page
Less (Purchases & Deposits)		(477,125.51)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		3,000,000.00	5 Security Transactions & Interest
Add Interest Receipts		18,165.59	6 Security Transactions & Interest
Less April Market Value		(54,503,907.28)	7 Account Summary Page
Less April Accrued Interest		(47,225.77)	8 Account Summary Page
Earnings		9,516.02	

Change in Investment Market Value	-2,539,271.97	(1 - 7)
Change in Accrued Interest	7,747.91	(2 - 8)
Change in Cash	2,541,040.08	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash	2,522,874.49		Security Transactions & Interest
Investments		2,539,271.97	Amortization/Accretion
Investment Income	16,397.48		Earnings
To record investment income/changes			
Cash	18,165.59		Security Transactions & Interest
Accrued Interest	7,747.91		Accrued Interest Difference
Investment Income		25,913.50	Earnings
To record interest income/changes			

Notes:

1. Earnings are calculated using Market Value. This includes unrealized gains and losses, and income.

Summary Portfolio General Ledger Entries¹

Earnings Calculation		
6/30/2012	Market Value Basis	Source Document
June Market Value	51,465,065.17	1 Account Summary Page
June Accrued Interest	71,134.58	2 Account Summary Page
Less (Purchases & Deposits)	(1,522,604.26)	3 Security Transactions & Interest
Less Purchased Interest	-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	2,000,000.00	5 Security Transactions & Interest
Add Interest Receipts	9,851.13	6 Security Transactions & Interest
Less May Market Value	(51,968,215.48)	7 Account Summary Page
Less May Accrued Interest	(54,973.68)	8 Account Summary Page
Earnings	257.46	

Change in Investment Market Value	(503,150.31)	(1 - 7)
Change in Accrued Interest	16,160.90	(2 - 8)
Change in Cash	487,246.87	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash	477,395.74		Security Transactions & Interest
Investments		503,150.31	Amortization/Accretion
Investment Income	25,754.57		Earnings
To record investment income/changes			
Cash	9,851.13		Security Transactions & Interest
Accrued Interest	16,160.90		Accrued Interest Difference
Investment Income		26,012.03	Earnings
To record interest income/changes			

Notes:

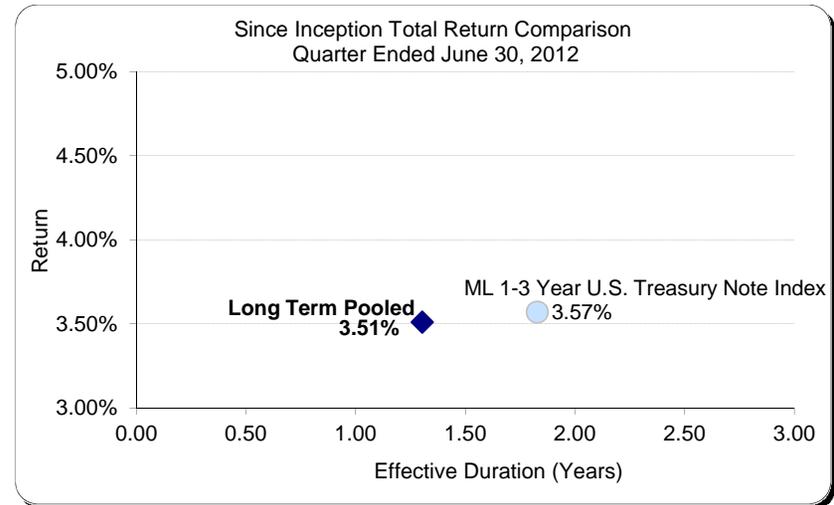
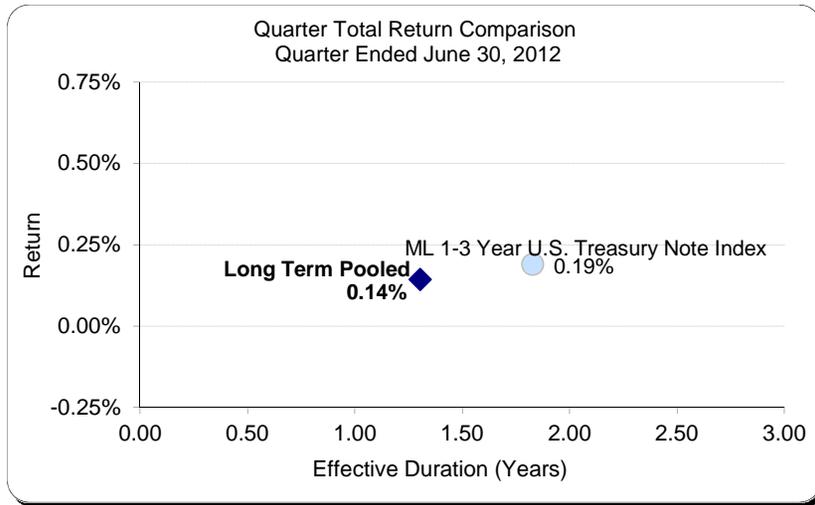
1. Earnings are calculated using Market Value. This includes unrealized gains and losses, and income.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value^{1,2}	June 30, 2012	March 31, 2012
Market Value	\$18,892,690.98	\$18,929,077.15
Amortized Cost	\$18,800,582.69	\$18,830,795.92

Total Return^{1,2,3,4,5,7,8}	Quarterly Return June 30, 2012	Year to Date	Last 12 Months	Last 24 Months	Since Inception 6/30/2006
Long Term Pooled Fund	0.14%	0.23%	0.67%	1.02%	3.51%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.19%	0.11%	0.79%	1.06%	3.57%

Effective Duration(Years)	June 30, 2012	March 31, 2012	Yields	June 30, 2012	March 31, 2012
Long Term Pooled Fund	1.30	1.55	Yield at Market	0.29%	0.33%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.83	1.82	Yield at Cost	0.71%	0.71%
Portfolio Duration % of Benchmark Duration	71%	85%			

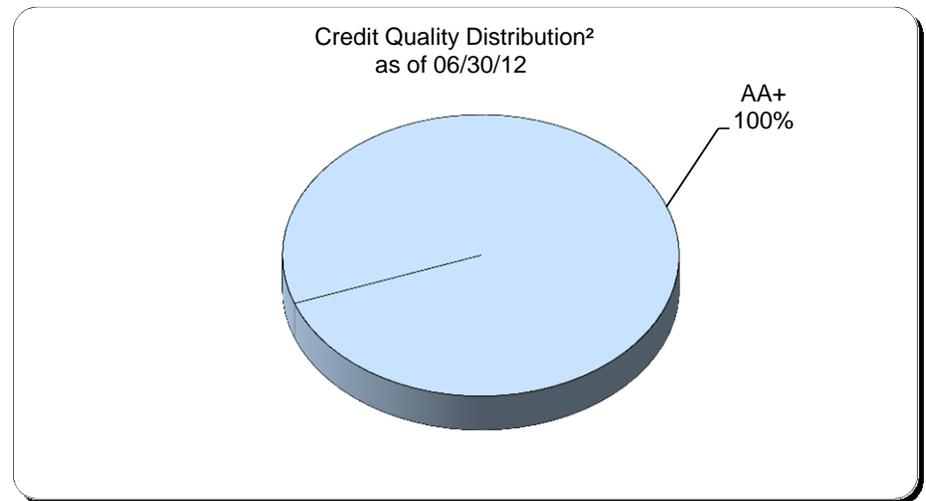
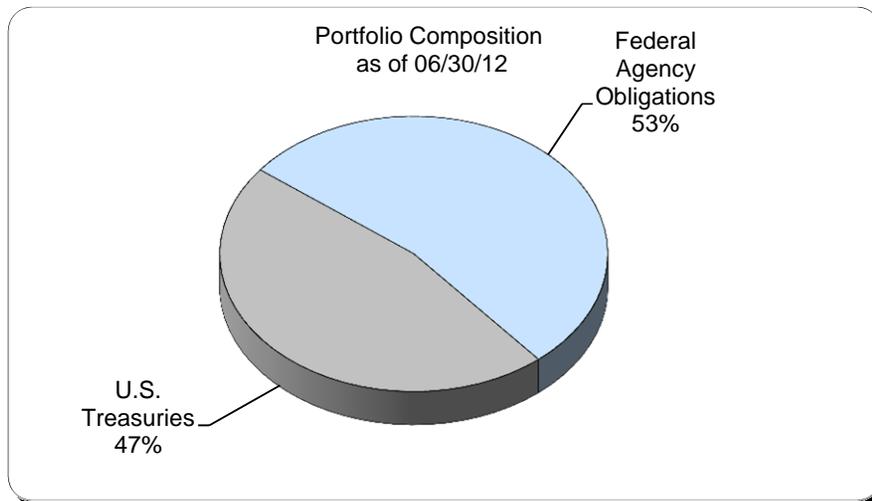


Notes:

1. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
2. End of quarter trade-date market values of portfolio holdings, including accrued interest.
3. Performance on trade date basis, gross (i.e., before fees), is in accordance with The CFA Institute's Global Investment Performance Standards (GIPS).
4. Merrill Lynch Indices provided by Bloomberg Financial Markets.
5. Quarterly returns are presented on an unannualized basis.
6. Excludes money market fund/cash in performance and duration computations.
7. Returns presented for 12 months or longer are presented on an annual basis.
8. Past performance is not indicative of future results.

Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>June 30, 2012</u>	<u>% of Portfolio</u>	<u>March 31, 2012</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$8,794,993.61	46.6%	\$8,786,482.16	46.4%
Federal Agencies	10,097,697.37	53.4%	10,142,594.99	53.6%
Commercial Paper	0.00	0.0%	0.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$18,892,690.98	100.0%	\$18,929,077.15	100.0%

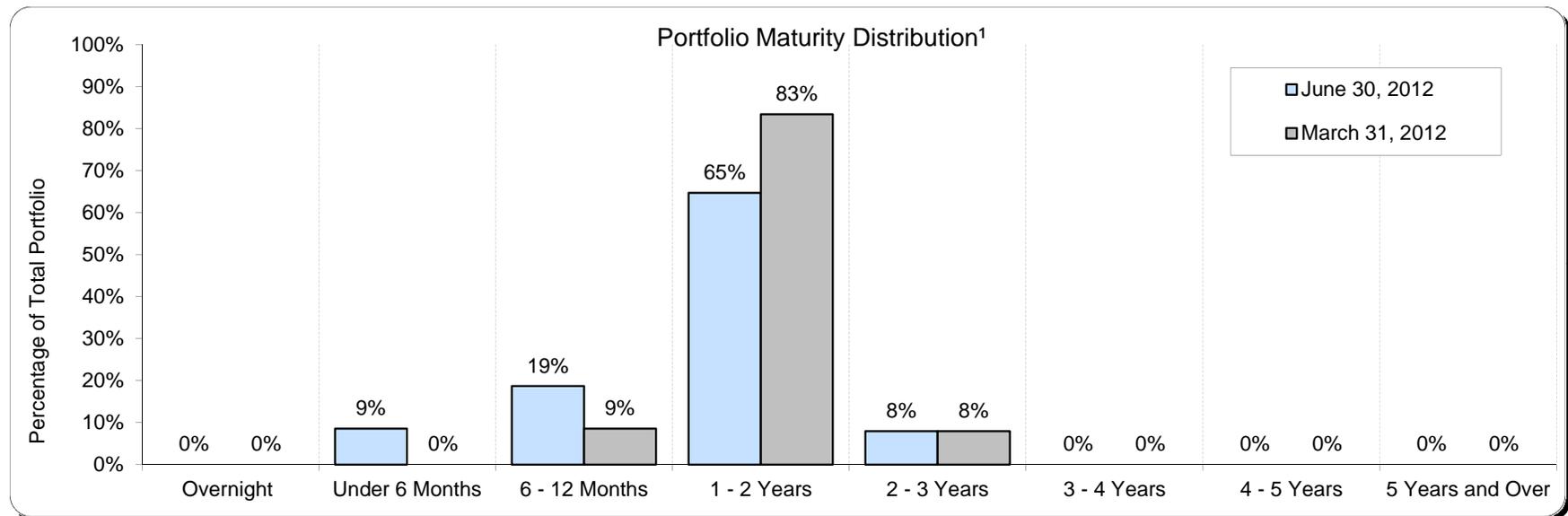


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP. Standard & Poor's is the source of the credit ratings.

Long Term Pooled Fund Portfolio Maturity Distribution

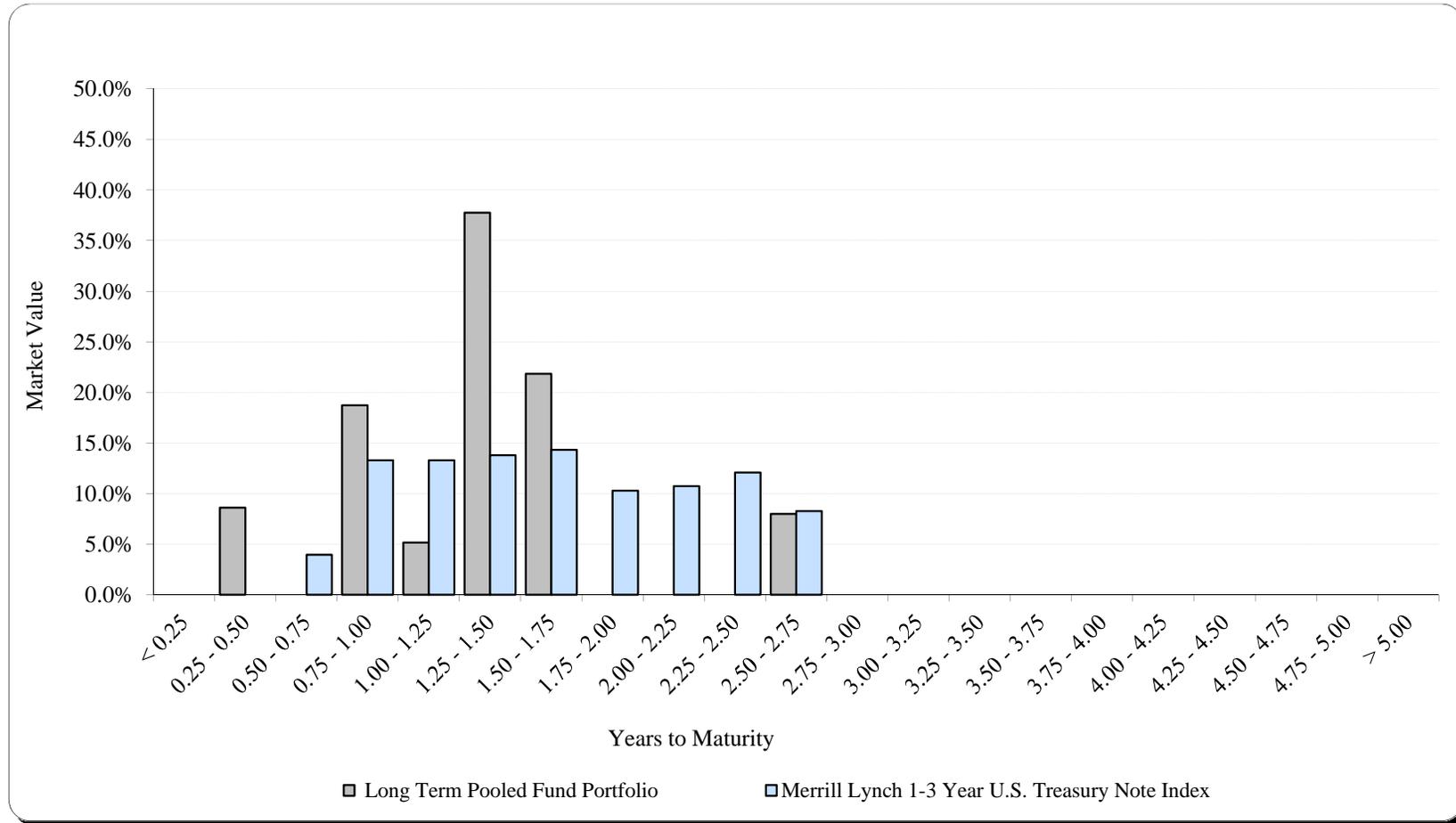
<u>Maturity Distribution¹</u>	<u>June 30, 2012</u>	<u>March 31, 2012</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	1,622,225.55	0.00
6 - 12 Months	3,534,642.61	1,624,515.22
1 - 2 Years	12,228,445.92	15,803,671.99
2 - 3 Years	1,507,376.90	1,500,889.94
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$18,892,690.98	\$18,929,077.15



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

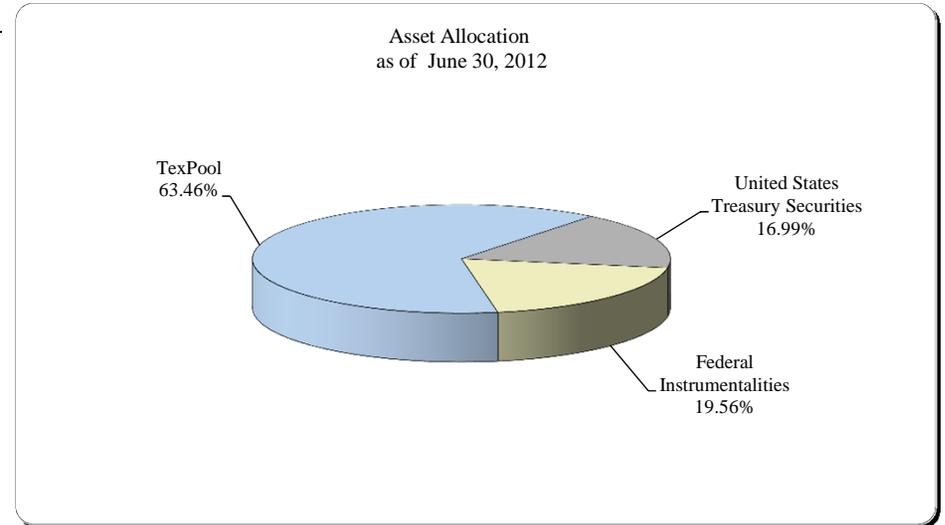
Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark¹



Notes:

1. Due to the nature of the security, Mortgage-Backed Securities are represented based on their average life maturity rather than their final maturity.

Security Type ²	June 30, 2012	Notes	Permitted by Policy
TexStar	0.00%		100%
TexPool	63.46%		100%
United States Treasury Securities	16.99%		100%
United States Government Agency Securities	0.00%		100%
Federal Instrumentalities	19.56%	1	100%
Certificates of Deposit	0.00%		20%
Repurchase Agreements	0.00%		20%
Commercial Paper	0.00%		25%
Corporate Notes TLGP - FDIC insured	0.00%		50%
Mortgage-Backed Securities	0.00%	1	40%
Bankers' Acceptances	0.00%		25%
State and/or Local Government Debt	0.00%		25%
Fixed Income Money Market Mutual Funds	0.00%		50%
Intergovernmental Investment Pool	0.00%		100%



Individual Issuer Breakdown	June 30, 2012	Notes	Permitted by Policy
Government National Mortgage Association (GNMA)	0.00%		40%
US Export-Import Bank (Ex-Im)	0.00%		40%
Farmers Home Administration (FMHA)	0.00%		40%
Federal Financing Bank	0.00%		40%
Federal Housing Administration (FHA)	0.00%		40%
General Services Administration	0.00%		40%
New Communities Act Debentures	0.00%		40%
US Public Housing Notes & Bonds	0.00%		40%
US Dept. of Housing and Urban Development	0.00%		40%
Federal Farm Credit Bank (FFCB)	0.00%		40%
Federal Home Loan Bank (FHLB)	5.95%		40%
Federal National Mortgage Association (FNMA)	8.14%		40%
Federal Home Loan Mortgage Corporation (FHLMC)	5.46%		40%
Student Loan Marketing Association (SLMA)	0.00%		N/A

Individual Issuer Breakdown	June 30, 2012	Notes	Permitted by Policy
CD - Bank A	0.00%		10%
CD - Bank B	0.00%		10%
Fully collateralized Repo - A	0.00%		10%
Fully collateralized Repo - B	0.00%		10%
CP A	0.00%		5%
CP B	0.00%		5%
CP C	0.00%		5%
CP D	0.00%		5%
Corporate Notes TLGP - FDIC insured A	0.00%		25%
Corporate Notes TLGP - FDIC insured B	0.00%		25%
BA Bank A	0.00%		5%
BA Bank B	0.00%		5%
State and/or Local Government Debt	0.00%		25%
Money Market Fund A	0.00%		25%
Money Market Fund B	0.00%		25%

Notes:
 1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of June 30, 2012 is 19.56%.
 2. End of month trade-date amortized cost of portfolio holdings, including accrued interest.

Investment Officer's Certification

This report is prepared for City of Rowlett (the "City") in accordance with Chapter 2256 of the Public Funds Investment Act ("PFIA"). Section 2256.023(a) of the PFIA states that "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report which covers the month ended June 30, 2012, is signed by the City's investment officers and includes the disclosures required in the PFIA.

The investment portfolio complied with the PFIA and the City's approved Investment Policy and Strategy throughout the month. All investment transactions made in the City's portfolio during this month were made on behalf of the City and were made in full compliance with the PFIA and the City's approved Investment Policy.

Brian Funderburk, Assistant City Manager

Director of Financial Services

TAB III

Insert Month End Statement here to complete the report.

Statements are available online at **www.pfm.com**
login and click on the link to “Monthly Statements”
on the left side of the screen.