

City of Rowlett, Texas

Investment Performance Review
Quarter Ended March 31, 2011



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Intermediate- and long-term interest rates rose modestly for the second consecutive quarter, driven by optimism for continued economic growth. As a result, returns on most fixed-income benchmarks were reduced by market value erosion that comes with rising rates. Despite two quarters of rising rates, returns over the last 12 months for longer fixed-income strategies were significantly higher than returns of cash-equivalent and money market investments, which remain near zero.

Rates experienced significant intra-quarter volatility as the natural disaster in Japan and geopolitical unrest temporarily counteracted the upward trend. By the end of the quarter, however, the net result was an increase of 20 to 30 basis points (0.20% to 0.30%) in yields on Treasury and Agency securities longer than one year. Despite this rise, the incremental income on longer-term investments and the impact of “rolling down” the yield curve helped protect the market value of portfolios.

The Economy

Behind the optimism was a slew of positive economic news. For example, the economy created 478,000 jobs during the first quarter with the headline unemployment rate dropping below 9% in February for the first time in almost two years. Manufacturing strengthened, as did retail sales and commodity and stock prices, while personal income grew at a pace that would support modest to strong GDP growth. Also fueling the continued recovery during the quarter were the effects of Congress’ move to extend the Bush era tax cuts along with reductions in the payroll (Social Security) tax.

The pace of wholesale and broad consumer price increases accelerated, but narrower inflation measures that focus on core prices remain muted. However, bond investors remain skittish on the inflation front. Thus comments from the Federal Reserve that it would complete the second phase of its program of Quantitative Easing and maintain an accommodative monetary policy put downward pressure on rates.

Volatility Rises

News of violent protests across the Middle East and North Africa, resulting in a toppled government in Egypt, an ongoing civil war in Libya, and great uncertainty surrounding the region all contributed to market volatility sending investors to the safety of U.S Treasury securities each time violence flared.

An earthquake and ensuing tsunami battered Japan in mid-March. The environmental and economic uncertainty surrounding the damage to nuclear reactors pushed yields to their lowest point during the quarter. However, the strength of the economic recovery reemerged, sparking a rally in yields that negated the effects of the flight to quality.

Interest Rates and Returns

By March 31, the rise in rates was most apparent in intermediate-term Treasuries—the so-called belly of the yield curve—with the yield on a 2-year U.S. Treasury note up 0.23% from its December 31, 2010 level while 10-year Treasury yields rose only 0.18% during the same period. The increase in rates negatively impacted returns for the quarter as the price and yield of a security are inversely related.

Short-term interest rates remained near historic lows throughout the quarter as the Fed continued to hold the Fed Funds rate in the range of zero to 25 basis points. Returns on investment strategies along most of the yield curve hovered just above zero.

Summary of U.S. Treasury Security Yields

Date	3M	6M	1Y	2Y	3Y	5Y	10Y
March 31, 2011	0.09%	0.17%	0.27%	0.82%	1.30%	2.28%	3.47%
December 31, 2010	0.12%	0.18%	0.26%	0.59%	0.99%	2.01%	3.29%
<i>Change over Quarter</i>	-0.03%	-0.01%	0.01%	0.23%	0.31%	0.27%	0.18%
March 31, 2010	0.15%	0.23%	0.38%	1.02%	1.57%	2.54%	3.83%
<i>Change over Year</i>	-0.06%	-0.06%	-0.11%	-0.20%	-0.27%	-0.27%	-0.36%

Source data: Bloomberg

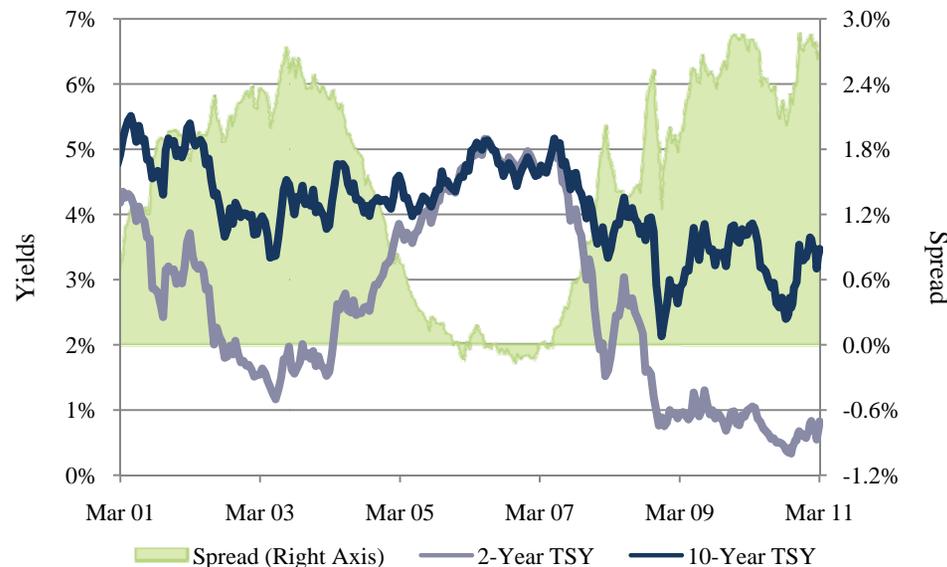
2-Year U.S. Treasury Note Yield
 April 1, 2009 through March 31, 2011



Source data: Bloomberg

The yield curve steepened even more during the quarter as the spread between shorter- and longer-maturity Treasuries rose. For example, as the following chart shows, the spread between 2-year and 10-year U.S. Treasury notes closed the quarter at 265 basis points, near the widest levels since 2003, before the yield curve flattened as a result of 17 consecutive hikes in the Fed Funds rate. The positive slope of the yield curve helps protect the market value of longer-duration portfolios. The steep yield curve allows fixed-income investors to benefit from a concept referred to as “rolling down the yield curve”. As securities approach their maturity date, they will be priced as shorter, lower-yielding securities. Pricing a security at a lower yield increases the market price of the security helping to offset the negative effects of rising yields.

U.S. Treasury Yields and Yield Curve Steepness
 March 2001 to March 2011

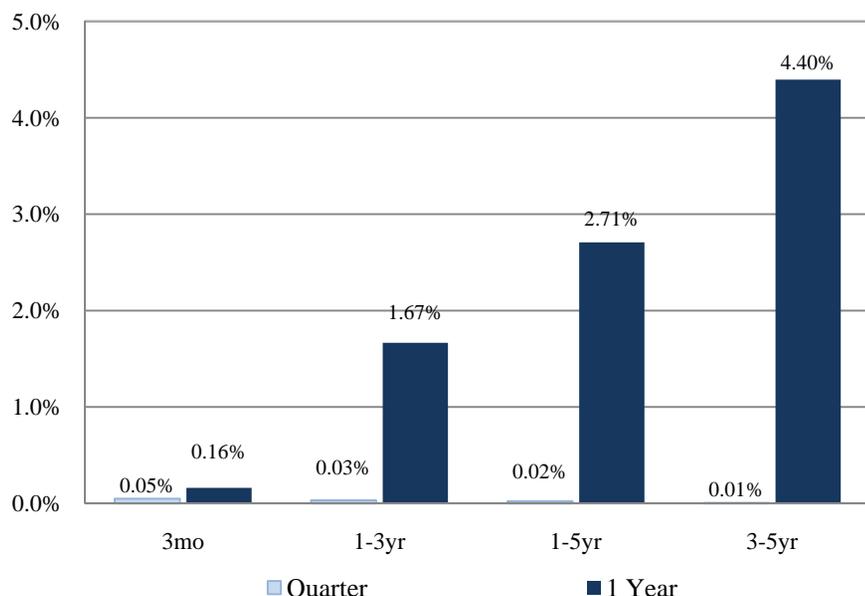


Source data: Bloomberg

As a result of the increase in interest rates during the quarter, longer-duration fixed-income strategies slightly underperformed their shorter-duration counterparts. As evidenced in the following chart, benchmark returns were barely positive, with the 1- to 3-year U.S. Treasury index returning 0.03% (0.12% annualized) for the quarter versus a return on the 3- to 5-year index of 0.01% (0.04% annualized).

However, as the following chart shows, year-over-year returns were still much higher for longer-duration strategies as short-term returns continue to be limited by the extremely low Fed Funds rate. For the 12 months ended March 31, 2011, the 3- to 5-year U.S. Treasury index returned 4.40% versus a return of 1.67% on the 1- to 3-year index, an outperformance of 273 basis points. Despite slightly better returns during the quarter, the 12-month performance of very short-term strategies continued to lag the performance of longer strategies as the 3-month U.S. Treasury benchmark returned only 0.16% over the prior 12 months.

Total Returns of Merrill Lynch U.S. Treasury Indices
Quarterly and 12-Month Total Return as of March 31, 2011

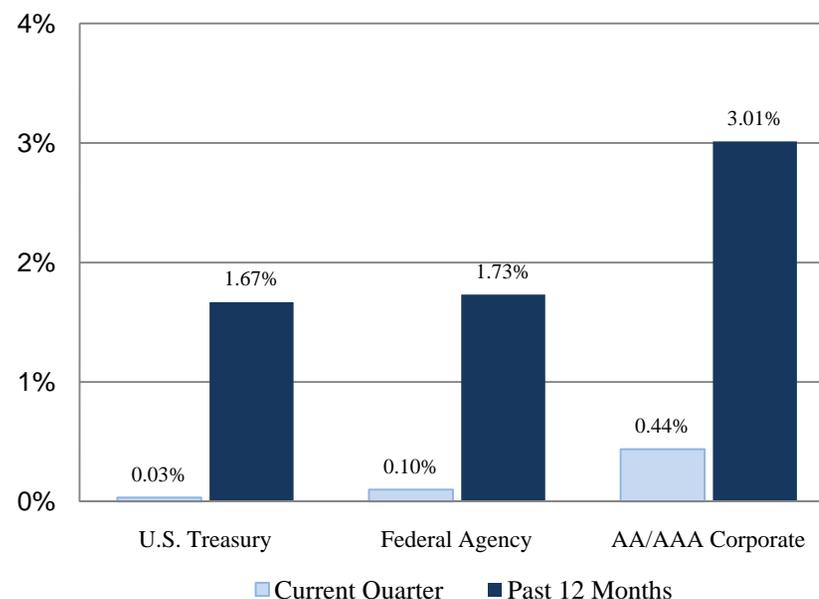


Source data: Bank of America Merrill Lynch; Bloomberg

Credit spreads continued to narrow despite beginning the quarter at historically low levels, resulting in enhanced returns from Agency and corporate bonds when compared with like-duration Treasuries. For example, the spread between 10-year Treasury debt and 10-year Agency debt narrowed by an additional four basis points to end the quarter at 26 basis points.

In the short end of the yield curve, corporate credits were in demand as signs of a strong economy improved corporate balance sheets and investors’ outlook for those credits. Increased appetite for credit risk, along with reduced Federal Agency issuance, drove up prices on corporate securities, propelling corporate indices higher than comparable U.S. Treasury and Federal Agency indices.

Duration Adjusted Returns of Merrill Lynch 1-3 Year Indices
Quarterly and 12-Month Total Return as of March 31, 2011



Source data: Bank of America Merrill Lynch; Bloomberg

Duration-adjusted return incorporates an adjustment to the market value return (but not the income return) of each benchmark to account for their varied durations, making it easier for investors to assess the relative risk and return of benchmarks of different lengths.

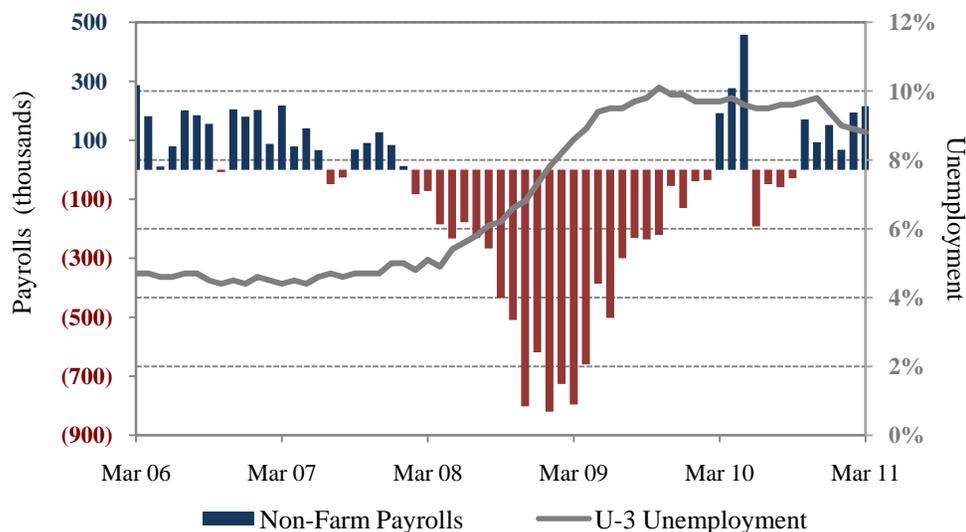
Economic Outlook

Positive economic data continues to show the economy is on a path of recovery despite a few remaining anchors.

One of those anchors is elevated unemployment and the large number of jobs lost during the recession. Although unemployment remains high, considerable improvement has been made since the unemployment rate peaked at 10.1% in October 2009. Continued improvement in the employment situation will be a key driver of a sustained recovery.

The following chart shows the positive trend seen in recent employment data releases.

U-3 Unemployment Rate and Non-Farm Payrolls
 March 31, 2006 to March 31, 2011



Source data: Bloomberg

The bleak housing market continues to be a concern going forward, as prices fell further during the quarter. Median house prices in the United States fell more than 8% over the prior 3 months to \$156,100 in February. Demand for existing and new homes remains weak as buyers face tougher borrowing requirements and reservations about when prices will bottom out. A reversal in the trend of falling home prices and stagnant demand would accelerate economic growth, possibly stoking inflation concerns.

A close eye will be kept on the situation in the Middle East and North Africa. Higher oil prices as a result of the turmoil have the potential to decrease disposable income and stall the economic recovery in the United States. Despite the price of oil rising 16% to the highest levels

since September 2008, investors have set aside these concerns for the time being and appear to be focused on brighter prospects for the economy.

Markets will also be monitoring Japan’s ability to rebound from its environmental disaster. With Japan being the third-largest economy and the largest consumer of U.S. exports, their ability to bounce back will have a direct impact on the future of the U.S. recovery. The events in Japan also renewed concerns about nuclear power as a viable alternative to meet the growing demand for energy.

Investment Strategy

Although the economy continues to improve, the Federal Reserve remains reluctant to raise short-term rates. Investors choosing cash equivalent strategies should be reconciled to near-zero returns. Given the recent back-up in rates and the steepness of the yield curve, we feel that intermediate fixed-income securities offer value.

Although the longer-term trend is for higher rates, the Federal Reserve does not look set to tighten monetary conditions anytime soon. This fact will exert pressure to keep rates low for the time being and present opportunities for intermediate-term securities to produce returns in excess of cash. Until the Federal Reserve begins posturing to tighten monetary policy, managing portfolios with a duration target that is only slightly defensive has the potential to produce good performance, especially when compared with the near zero level of short-term rates.

Executive Summary

PORTFOLIO STRATEGY

- The City's Pooled Fund and Long Term portfolios are of high credit quality and maintain adequate liquidity. The portfolios are invested entirely in Federal Agency, and U.S. Treasury securities. The securities are allocated among high quality issuers rated AAA.
- The U.S. economy continued to show signs of modest improvement in the first quarter of 2011. Fourth quarter 2010 GDP was released at \$13.38 trillion, surpassing the previous peak of \$13.36 trillion in the second quarter of 2008.
- Over the quarter, interest rates were volatile across the yield curve due to positive economic releases, such as the manufacturing and employment reports, and significant developments abroad, such as the political turmoil in the Middle East and the earthquake in Japan. Despite the volatility, intermediate-term yields finished the quarter 20 basis points higher than the previous quarter on signs of better growth prospects and higher inflation expectation in the U.S.
- The City's Long Term Portfolio performed well for the first quarter, especially in an environment of low yields and increased volatility. Strategically adjusting the portfolio's duration over the quarter between the range of 90% and 100% of the benchmark's duration contributed positively to returns. Further, the portfolio's allocation to the federal agency sector added additional value as credit spreads narrowed. The portfolio's return of 0.09%, outperformed the benchmark's return of 0.03% by 6 basis points (0.06%). In an interest rate environment where yields remain at or near record lows, we will continue to position the portfolio's duration short of the benchmark's duration to reduce interest rate risk and the market value erosion that will occur if rates rise.
- The Pooled Funds Portfolio continues to provide the City with favorable yield relative to the benchmark. At quarter end the portfolio had a Yield to Maturity at Cost of 0.65%, exceeding the Yield of TexPool by 50 basis points (0.50%). In addition, at quarter end, the Pooled Fund and Long Term Portfolios combined Yield to Maturity at Cost of 1.16% exceeded the Yield of TexPool by 101 basis points (1.01%).
- PFM will continue to follow the prudent investment strategies that have safely provided the City with favorable long-term performance during this period of historic low interest rates.
- Although interest rates have rebounded from all time lows, we believe the Federal Reserve is highly unlikely to change its policy in the short term. Economists expect the second round of quantitative easing will run its course, through June. However, an internal debate over monetary policy among the Fed Governors has been at the forefront of the conversation in Washington throughout the first quarter. Such heated debate may be a sign that monetary policy change is on the horizon, although not in the near term. As long as the economy continues to stay the course, we expect the first interest rate tightening to occur sometime after the first quarter of 2012.
- While near-time events (Japan earthquake, continued Middle East uncertainty) could slow the pace of economic growth, the economy appears to be on track for continued modest growth over the next several quarters. Many positive economic forces, such as strength in manufacturing, improving job market, strong corporate earnings supporting continued rising stock prices, and solid retail sales indicate the economy is in the growth phase.

Summary Portfolio Statistics

Amortized Cost and Market Value <u>Account Name</u>	Amortized Cost^{1,2,3} March 31, 2011	Amortized Cost ^{1,2,3} <u>December 31, 2010</u>	Market Value^{1,2,3} March 31, 2011	Market Value ^{1,2,3} <u>December 31, 2010</u>	Duration (Years) March 31, 2011
Pooled Funds	\$2,449,779.87	\$6,303,736.73	\$2,451,190.39	\$6,313,760.72	0.390
Long Term Pooled Funds	18,878,717.63	14,900,520.55	18,987,912.26	15,041,342.27	1.690
TexPool	47,389,018.19	45,045,193.06	47,389,018.19	45,045,193.06	0.003
Total	\$68,717,515.69	\$66,249,450.34	\$68,828,120.84	\$66,400,296.05	0.482

Yields <u>Account Name</u>	Yield to Maturity on Cost⁴ March 31, 2011	Yield to Maturity on Cost ⁴ <u>December 31, 2010</u>	Yield to Maturity at Market March 31, 2011	Yield to Maturity at Market <u>December 31, 2010</u>	Duration (Years) <u>December 31, 2010</u>
Pooled Funds	0.65%	0.91%	0.16%	0.27%	0.240
Long Term Pooled Funds	1.23%	1.31%	0.71%	0.65%	1.560
TexPool ⁵	0.15%	0.17%	0.15%	0.17%	0.003
Weighted Average YTM	0.46%	0.50%	0.30%	0.29%	0.378

PFM Managed Portfolios Weighted Average YTM 1.16%

Monthly Interest earnings YTD^{6,7}			
October 2010	\$45,640.24	April 2011	\$0.00
November 2010	(\$23,962.14)	May 2011	\$0.00
December 2010	(\$5,635.78)	June 2011	\$0.00
January 2011	\$27,183.66	July 2011	\$0.00
February 2011	(\$1,698.20)	August 2011	\$0.00
March 2011	\$7,729.07	September 2011	\$0.00

Notes:

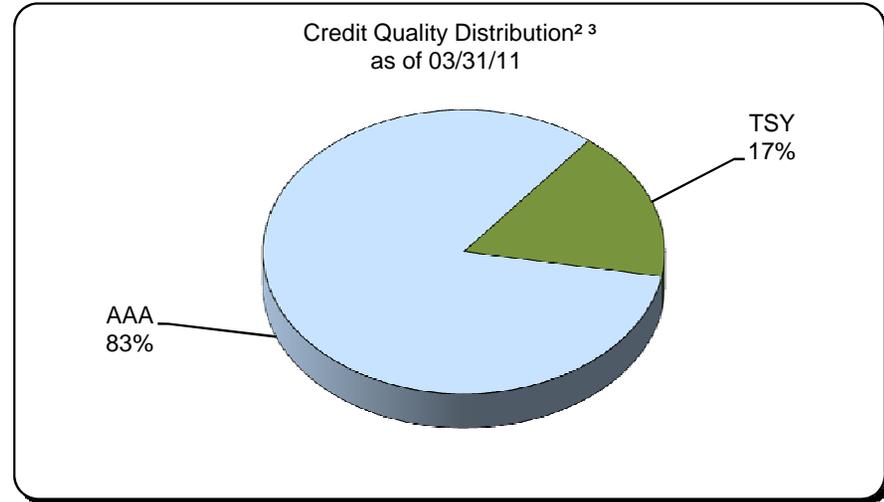
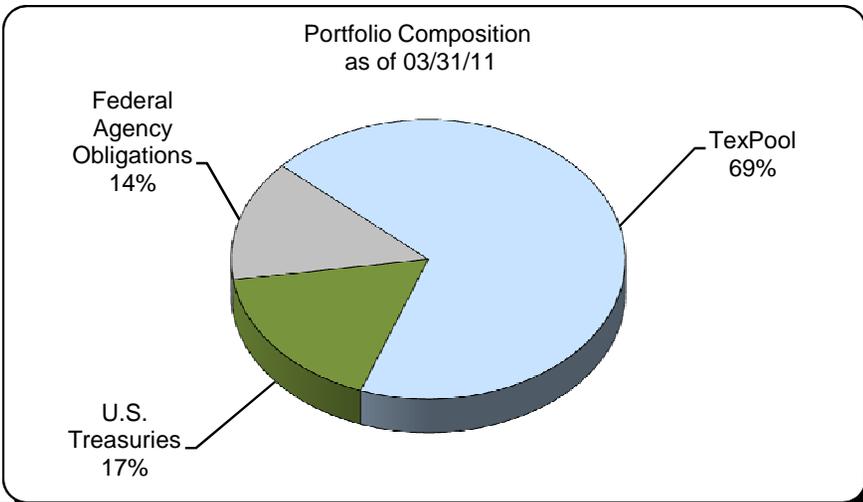
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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

				12/31/2010		12/31/2010		12/31/2010		3/31/2011		3/31/2011		3/31/2011		CHANGE IN
MONEY MARKET FUNDS				ACCRUED		AMORTIZED		MARKET		ACCRUED		AMORTIZED		MARKET		MARKET
CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	INTEREST	COST	VALUE	INTEREST	COST	VALUE	INTEREST	COST	VALUE	VALUE	VALUE	VALUE
TEXPOOL	TEXPOOL		0.000		0.00	45,045,193.06	45,045,193.06	0.00	47,389,018.19	47,389,018.19	0.00	47,389,018.19	47,389,018.19	5.20%		
TOTAL					\$0.00	\$45,045,193.06	\$45,045,193.06	\$0.00	\$47,389,018.19	\$47,389,018.19	\$0.00	\$47,389,018.19	\$47,389,018.19	5.20%		
POOLED FUNDS																
FED AGY BOND/NOTE																
3134A4DY7	FHLMC GLOBAL REFERENCE NOTES	\$1,810,000	5.625	03/15/11	\$29,978.13	\$1,829,157.60	\$1,829,455.69	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%		
31398AWQ1	FNMA GLOBAL NOTES	1,435,000	1.375	04/28/11	3,452.97	1,437,339.38	1,440,516.14	8,385.78	1,435,539.86	1,436,393.39	0.00	1,435,539.86	1,436,393.39	-0.29%		
31398AVQ2	FNMA NOTE	1,990,000	1.750	03/23/11	9,480.14	1,990,509.16	1,996,849.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00%		
					\$5,235,000	\$42,911.24	\$5,257,006.14	\$5,266,821.41	\$8,385.78	\$1,435,539.86	\$1,436,393.39	\$1,435,539.86	\$1,436,393.39	-72.73%		
US TSY BOND/NOTE																
912828MJ6	US TREASURY NOTES	\$1,000,000	0.875	01/31/12	\$0.00	\$0.00	\$0.00	\$1,450.28	\$1,004,403.95	\$1,004,960.94	0.00	\$1,004,403.95	\$1,004,960.94	0.00%		
912828KE9	US TREASURY NOTES	1,000,000	0.875	02/28/11	2,973.07	1,000,846.28	1,001,055.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%		
					\$2,000,000	\$2,973.07	\$1,000,846.28	\$1,001,055.00	\$1,450.28	\$1,004,403.95	\$1,004,960.94	\$1,004,403.95	\$1,004,960.94	0.39%		
TOTAL					\$8,243,000	\$45,884.31	\$6,257,852.42	\$6,267,876.41	\$9,836.06	\$2,439,943.81	\$2,441,354.33	\$2,439,943.81	\$2,441,354.33	-72.34%		
LONG TERM POOLED FUND																
FED AGY BOND/NOTE																
3137EABZ1	FHLMC GLOBAL NOTES	\$1,200,000	1.625	04/26/11	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00%		
3133XTAW6	FHLB GLOBAL BONDS	985,000	2.250	04/13/12	4,801.88	990,561.10	1,007,281.69	10,342.50	989,489.10	1,003,871.62	0.00	989,489.10	1,003,871.62	-0.34%		
31398AYM8	FNMA NOTES	1,570,000	1.750	08/10/12	10,761.04	1,564,802.95	1,599,332.31	3,892.29	1,565,600.59	1,595,107.44	0.00	1,565,600.59	1,595,107.44	-0.26%		
31398AJ94	FNMA GLOBAL NOTES	1,005,000	1.750	05/07/13	2,638.13	1,002,389.41	1,026,451.73	7,035.00	1,002,661.69	1,021,176.48	0.00	1,002,661.69	1,021,176.48	-0.51%		
3137EACF4	FHLMC NOTES	498,000	1.125	12/15/11	249.00	498,675.99	501,460.10	1,649.63	498,499.58	500,874.95	0.00	498,499.58	500,874.95	-0.12%		
3133XGVF8	FHLB GLOBAL BONDS	905,000	5.125	08/14/13	17,650.64	1,000,318.65	1,002,076.64	6,055.33	991,331.30	990,529.74	0.00	991,331.30	990,529.74	-1.15%		
3137EACL1	FHLMC NOTES	810,000	0.875	10/28/13	2,579.06	810,835.30	805,763.70	4,350.94	810,764.18	803,255.13	0.00	810,764.18	803,255.13	-0.31%		
31398AZ88	FNMA GLOBAL NOTES (CALLABLE)	1,000,000	1.500	02/04/14	6,125.00	1,000,220.00	1,000,891.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%		
31398AB43	FNMA NOTES	2,260,000	0.875	01/12/12	9,283.26	2,254,356.24	2,269,808.40	4,339.51	2,255,720.94	2,269,087.46	0.00	2,255,720.94	2,269,087.46	-0.03%		
					\$4,760,000	\$54,088.01	\$9,122,159.64	\$9,213,065.57	\$37,665.20	\$8,114,067.38	\$8,183,902.82	\$8,114,067.38	\$8,183,902.82	-11.17%		
US TSY BOND/NOTE																
912828QL7	US TREASURY NOTES	\$2,500,000	0.750	3/31/2013	\$0.00	\$0.00	\$0.00	\$204.92	\$2,497,558.59	\$2,498,050.00	0.00	\$2,497,558.59	\$2,498,050.00	0.00%		
912828PZ7	US TREASURY NOTES	2,500,000	1.250	3/15/2014	\$0.00	\$0.00	\$0.00	1,698.37	2,498,535.16	2,499,225.00	0.00	2,498,535.16	2,499,225.00	0.00%		
912828KP4	US TREASURY NOTES	2,000,000	1.375	5/15/2012	3,570.44	1,997,039.60	2,026,562.00	10,407.46	1,997,572.42	2,022,266.00	0.00	1,997,572.42	2,022,266.00	-0.21%		
912828LB4	US TREASURY NOTES	1,500,000	1.500	7/15/2012	10,394.02	1,499,817.71	1,524,903.00	4,723.76	1,499,846.87	1,520,507.81	0.00	1,499,846.87	1,520,507.81	-0.29%		
912828PD6	US TREASURY NOTES	1,620,000	0.375	10/31/2012	1,040.47	1,619,062.36	1,615,063.86	2,550.83	1,619,189.48	1,614,621.60	0.00	1,619,189.48	1,614,621.60	-0.03%		
912828PU8	US TREASURY NOTES	600,000	0.500	11/15/2013	389.50	592,958.80	592,265.40	1,135.36	593,561.83	590,953.13	0.00	593,561.83	590,953.13	-0.22%		
					\$1,500,000	\$15,394.43	\$5,708,878.47	\$5,758,794.26	\$20,720.70	\$10,706,264.35	\$10,745,623.54	\$10,706,264.35	\$10,745,623.54	86.60%		
TOTAL					\$6,260,000	\$69,482.44	\$14,831,038.11	\$14,971,859.83	\$58,385.90	\$18,820,331.73	\$18,929,526.36	\$18,820,331.73	\$18,929,526.36	26.434%		
TOTAL PORTFOLIO		\$16,519,000			\$115,366.75	\$66,134,083.59	\$66,284,929.30	\$68,221.96	\$68,649,293.73	\$68,759,898.88	\$68,649,293.73	\$68,759,898.88	\$68,759,898.88	3.73%		

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2011</u>	<u>% of Portfolio</u>	<u>December 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$11,772,755.46	17.1%	\$6,778,216.76	4.4%
Federal Agencies	9,666,347.19	14.0%	14,576,886.23	49.1%
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%
TexSTAR	0.00	0.00%	0.00	0.0%
TexPool	47,389,018.19	68.9%	45,045,193.06	46.5%
Totals	\$68,828,120.84	100.0%	\$66,400,296.05	100.0%

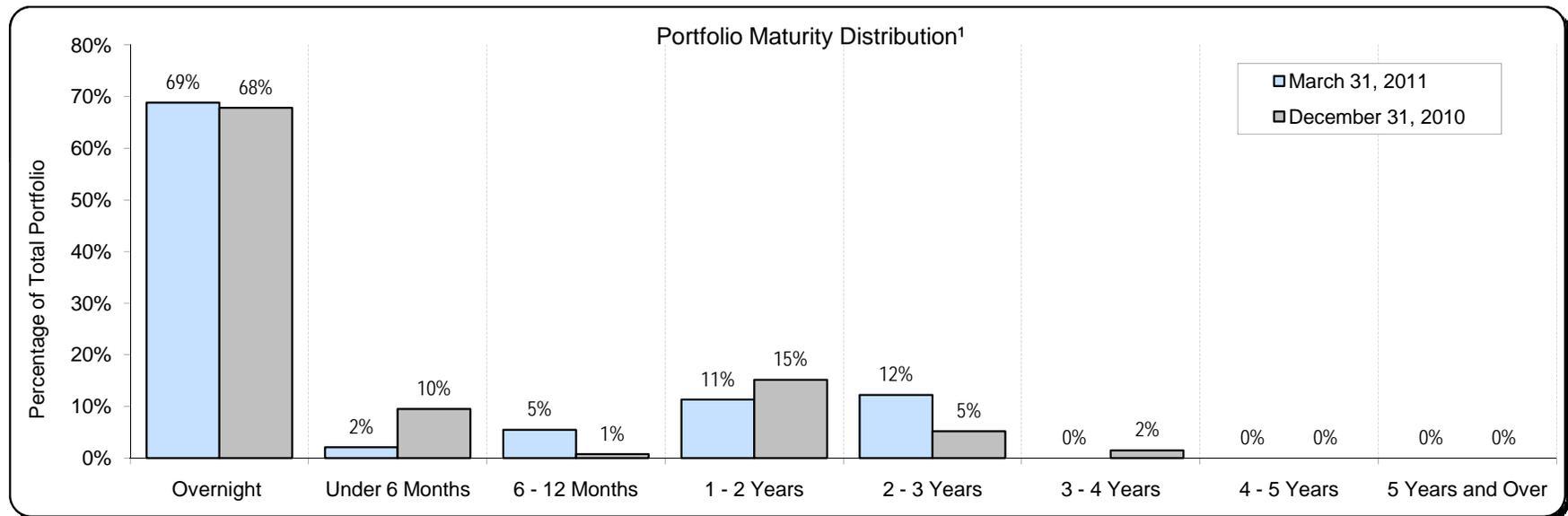


Notes:

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.
3. A rating of "TSY" indicates the security is an obligation of, or explicitly guaranteed by the U. S. Government.

Summary Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Overnight (Money Market Fund)	\$47,389,018.19	\$45,045,193.06
Under 6 Months	1,444,779.17	6,313,760.72
6 - 12 Months	3,782,362.77	501,709.10
1 - 2 Years	7,788,291.31	10,082,802.37
2 - 3 Years	8,423,669.40	3,449,814.80
3 - 4 Years	0.00	1,007,016.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$68,828,120.84	\$66,400,296.05



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
1/31/2011			
January Market Value		72,502,911.76	1 Account Summary Page
January Accrued Interest		126,500.79	2 Account Summary Page
Less (Purchases & Deposits)		(7,228,824.80)	3 Security Transactions & Interest
Less Purchased Interest		(3,733.02)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		1,000,000.00	5 Security Transactions & Interest
Add Interest Receipts		32,127.53	6 Security Transactions & Interest
Less December Market Value		(66,284,929.30)	7 Account Summary Page
Less December Accrued Interest		(115,366.75)	8 Account Summary Page
Earnings		28,686.21	

Change in Investment Market Value	6,217,982.46	(1 - 7)
Change in Accrued Interest	11,134.04	(2 - 8)
Change in Cash	(6,200,430.29)	(sum 3 thru 6)

Investment Entries		Debit	Credit	Source Document
<i>To Record Investment Activity</i>				
Cash			6,228,824.80	Security Transactions & Interest
Investments	6,217,982.46			Amortization/Accretion
Investment Income	10,842.34			Earnings
To record investment income/changes				
Cash	28,394.51			Security Transactions & Interest
Accrued Interest	11,134.04			Accrued Interest Difference
Investment Income			39,528.55	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
2/28/2011			
February Market Value		67,847,247.32	1 Account Summary Page
February Accrued Interest		108,924.77	2 Account Summary Page
Less (Purchases & Deposits)		(5,062,343.82)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		9,687,274.59	5 Security Transactions & Interest
Add Interest Receipts		54,531.38	6 Security Transactions & Interest
Less January Market Value		(72,509,526.79)	7 Account Summary Page
Less January Accrued Interest		(126,500.79)	8 Account Summary Page
Earnings		(393.34)	

Change in Investment Market Value	-4,662,279.47	(1 - 7)
Change in Accrued Interest	(17,576.02)	(2 - 8)
Change in Cash	4,679,462.15	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash	4,624,930.77		Security Transactions & Interest
Investments		4,662,279.47	Amortization/Accretion
Investment Income	37,348.70		Earnings
To record investment income/changes			
Cash	54,531.38		Security Transactions & Interest
Accrued Interest		17,576.02	Accrued Interest Difference
Investment Income		36,955.36	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
3/31/2011		
March Market Value	68,754,197.28	1 Account Summary Page
March Accrued Interest	68,221.96	2 Account Summary Page
Less (Purchases & Deposits)	(9,995,454.05)	3 Security Transactions & Interest
Less Purchased Interest	(1,903.29)	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)	9,071,810.02	5 Security Transactions & Interest
Add Interest Receipts	74,020.35	6 Security Transactions & Interest
Less February Market Value	(67,852,975.57)	7 Account Summary Page
Less February Accrued Interest	(108,924.77)	8 Account Summary Page
Earnings	8,991.93	

Change in Investment Market Value	901,221.71	(1 - 7)
Change in Accrued Interest	(40,702.81)	(2 - 8)
Change in Cash	(851,526.97)	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>	Debit	Credit	Source Document
Cash		923,644.03	Security Transactions & Interest
Investments	901,221.71		Amortization/Accretion
Investment Income	22,422.32		Earnings
To record investment income/changes			
Cash	72,117.06		Security Transactions & Interest
Accrued Interest		40,702.81	Accrued Interest Difference
Investment Income		31,414.25	Earnings
To record interest income/changes			

Notes:

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

Pooled Funds Portfolio Statistics

<u>Account Name</u>	Amortized Cost^{1,2,3} March 31, 2011	Amortized Cost ^{1,2,3} December 31, 2010	Market Value^{1,2,3} March 31, 2011	Market Value ^{1,2,3} December 31, 2010	Duration (Years) March 31, 2011
Pooled Funds	\$2,449,779.87	\$6,303,736.73	\$2,451,190.39	\$6,313,760.72	0.390

<u>Account Name</u>	Yield to Maturity on Cost⁴ March 31, 2011	Yield to Maturity on Cost ⁴ December 31, 2010	Yield to Maturity at Market March 31, 2011	Yield to Maturity at Market December 31, 2010	Duration (Years) December 31, 2010
Pooled Funds	0.65%	0.91%	0.16%	0.27%	0.240

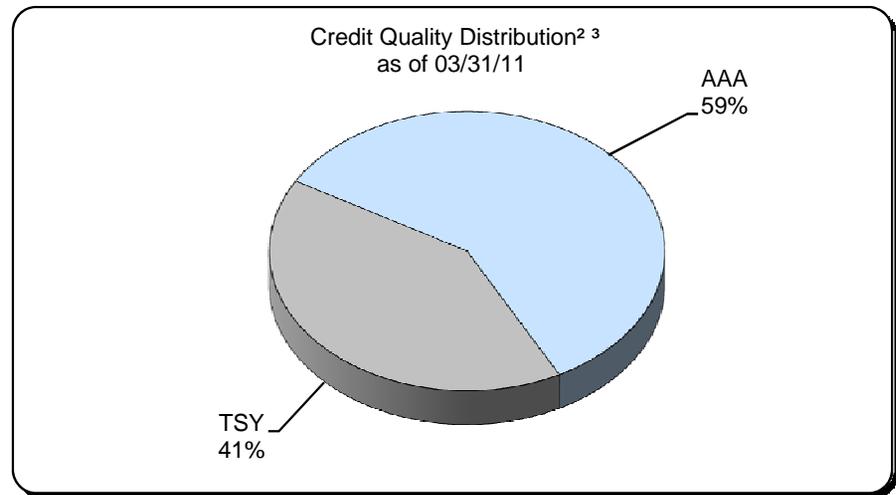
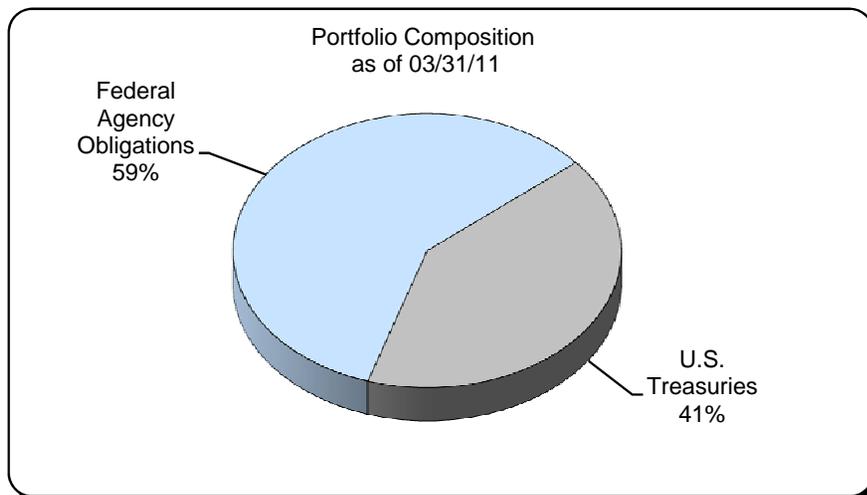
<u>Benchmarks⁵</u>	March 31, 2011	December 31, 2010
TexPool ⁶	0.15%	0.17%

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. Returns presented on an annualized basis as of March 31, 2011.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type</u> ¹	<u>March 31, 2011</u>	<u>% of Portfolio</u>	<u>December 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$1,006,411.22	41.1%	\$1,004,028.07	15.9%
Federal Agencies	1,444,779.17	58.9%	5,309,732.65	84.1%
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	\$2,451,190.39	100.0%	\$6,313,760.72	100.0%

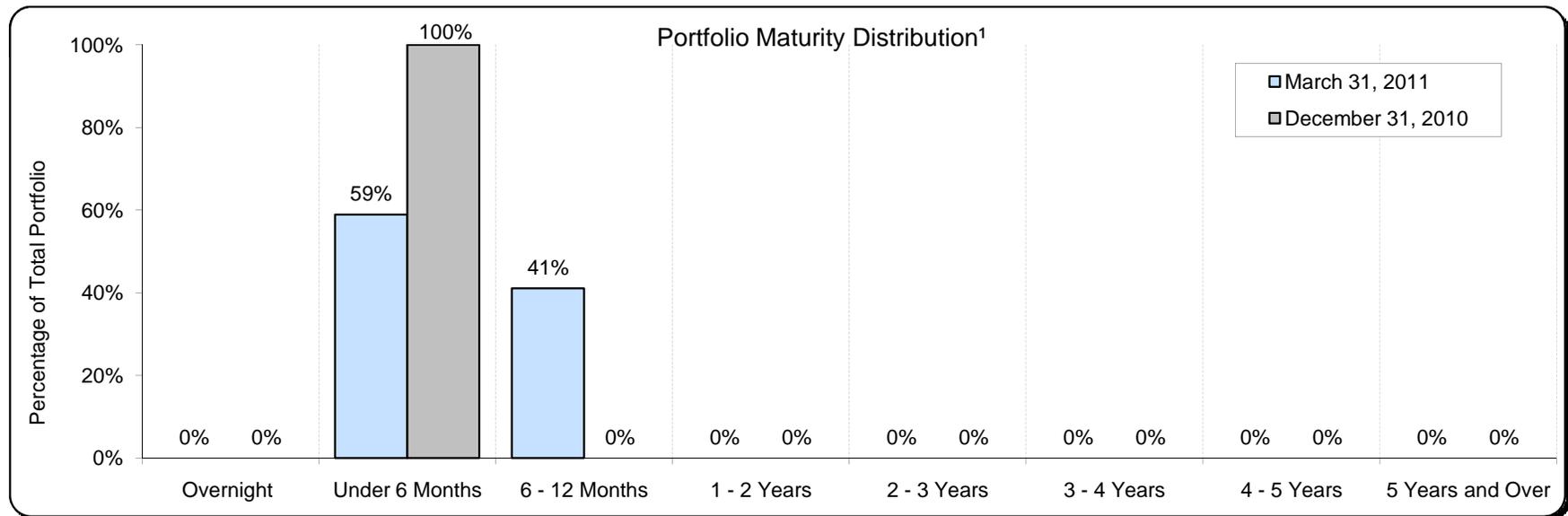


Notes:

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.
3. A rating of "TSY" indicates the security is an obligation of, or explicitly guaranteed by the U. S. Government.

Pooled Funds Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	1,444,779.17	6,313,760.72
6 - 12 Months	1,006,411.22	0.00
1 - 2 Years	0.00	0.00
2 - 3 Years	0.00	0.00
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$2,451,190.39	\$6,313,760.72



Notes:

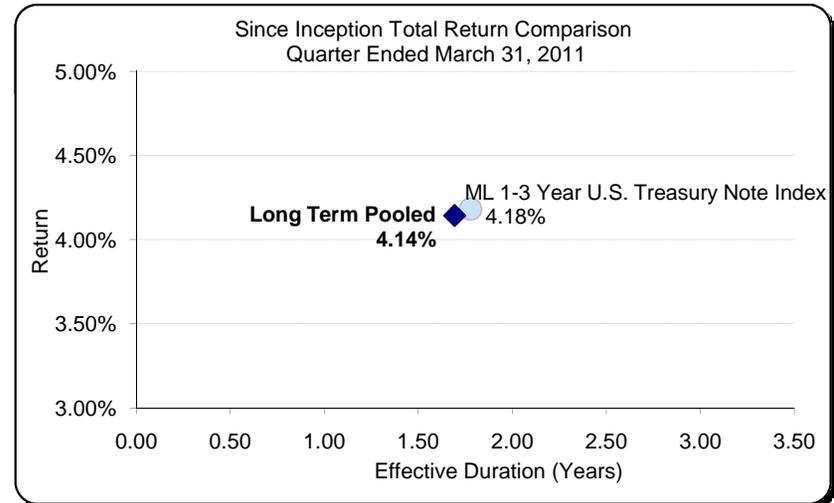
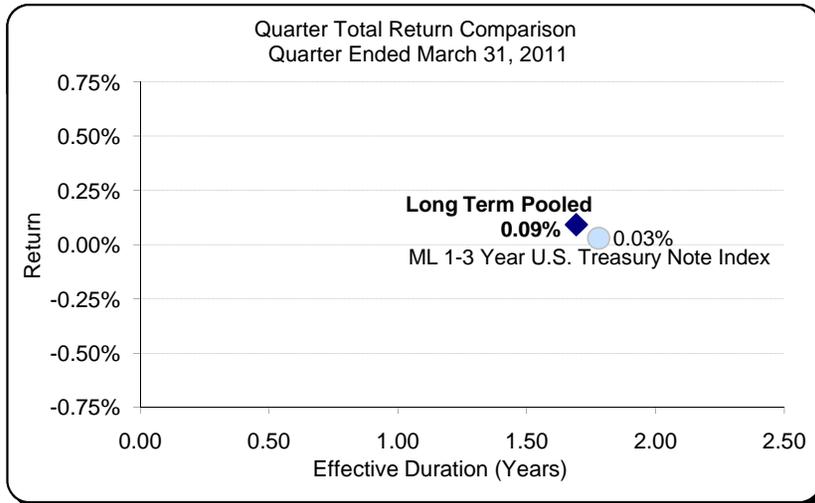
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value ^{1,2}	March 31, 2011	December 31, 2010
Market Value	\$18,987,912.26	\$15,041,342.27
Amortized Cost	\$18,878,717.63	\$14,900,520.55

Total Return ^{1,2,3,4,5,7,8}	Quarterly Return March 31, 2011	Year to Date	Last 12 Months	Last 24 Months	Since Inception 6/30/2006
Long Term Pooled Fund	0.09%	0.09%	1.62%	1.77%	4.14%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.03%	0.03%	1.67%	1.54%	4.18%

Effective Duration(Years)	March 31, 2011	December 31, 2010	Yields	March 31, 2011	December 31, 2010
Long Term Pooled Fund	1.69	1.65	Yield at Market	0.71%	0.65%
ML 1-3 Year U.S. Treasury Note Index	1.78	1.77	Yield at Cost	1.23%	1.31%
Portfolio Duration % of Benchmark Duration	95%	93%			

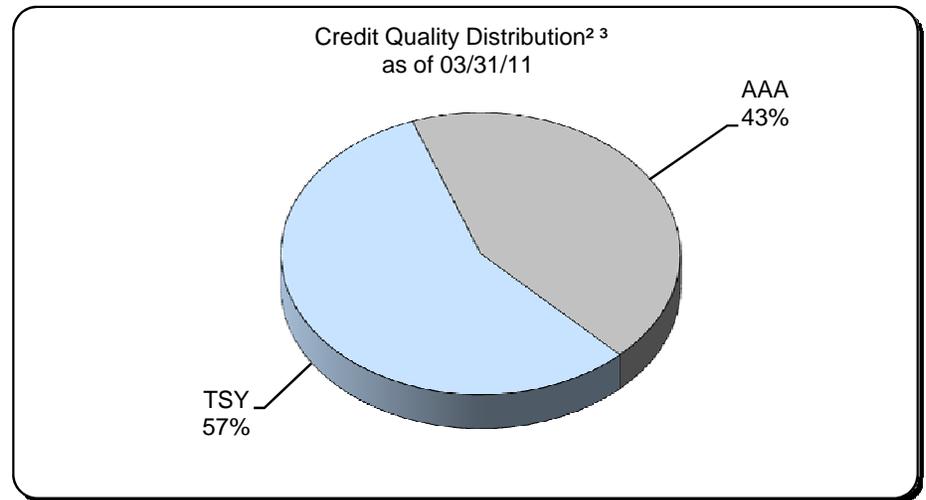
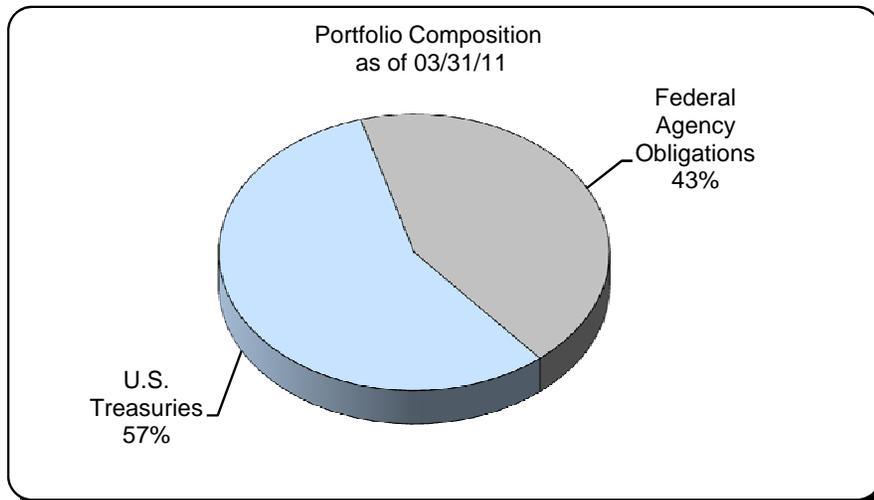


Notes:

- In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
- End of quarter trade-date market values of portfolio holdings, including accrued interest.
- Performance on trade date basis, gross (i.e., before fees), is in accordance with The CFA Institute's Global Investment Performance Standards (GIPS).
- Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Quarterly returns are presented on both an unannualized and annualized basis. The annualized return assumes the quarterly return is compounded at the same rate for four quarters and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
- Excludes money market fund/cash in performance and duration computations.
- Returns presented for 12 months or longer are presented on an annual basis.
- Past performance is not indicative of future results.

Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>March 31, 2011</u>	<u>% of Portfolio</u>	<u>December 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$10,766,344.24	56.7%	\$5,774,188.69	38.4%
Federal Agencies	8,221,568.02	43.3%	9,267,153.58	61.6%
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	\$18,987,912.26	100.0%	\$15,041,342.27	100.0%

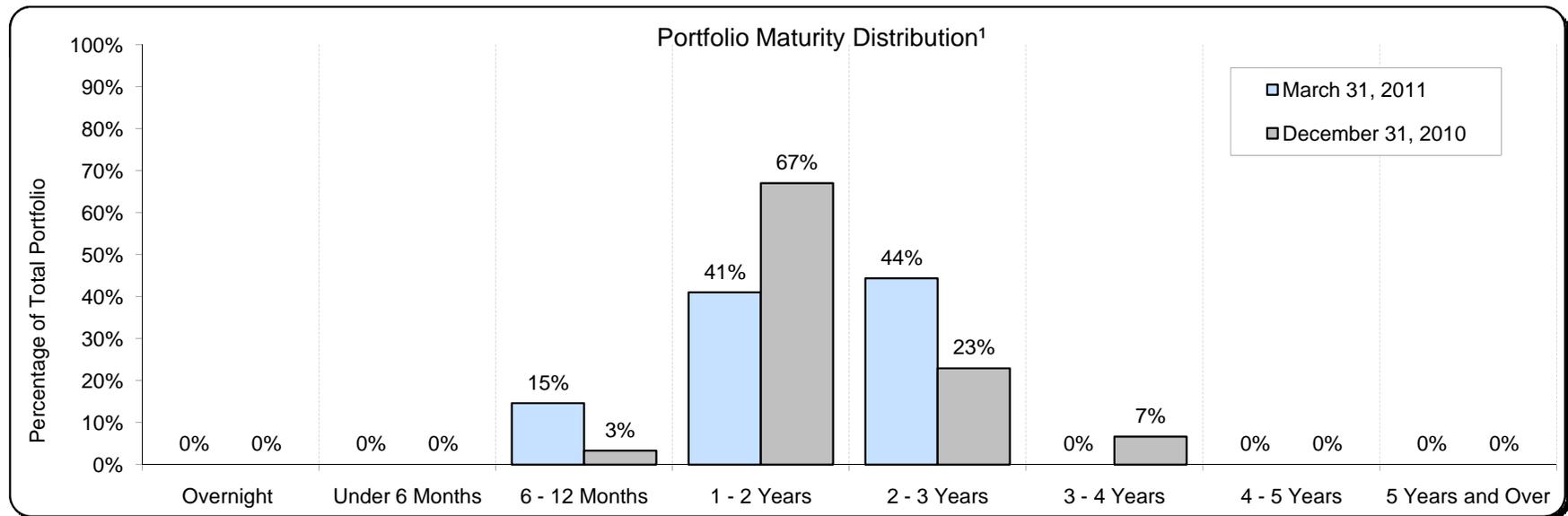


Notes:

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.
3. A rating of "TSY" indicates the security is an obligation of, or explicitly guaranteed by the U. S. Government.

Long Term Pooled Fund Portfolio Maturity Distribution

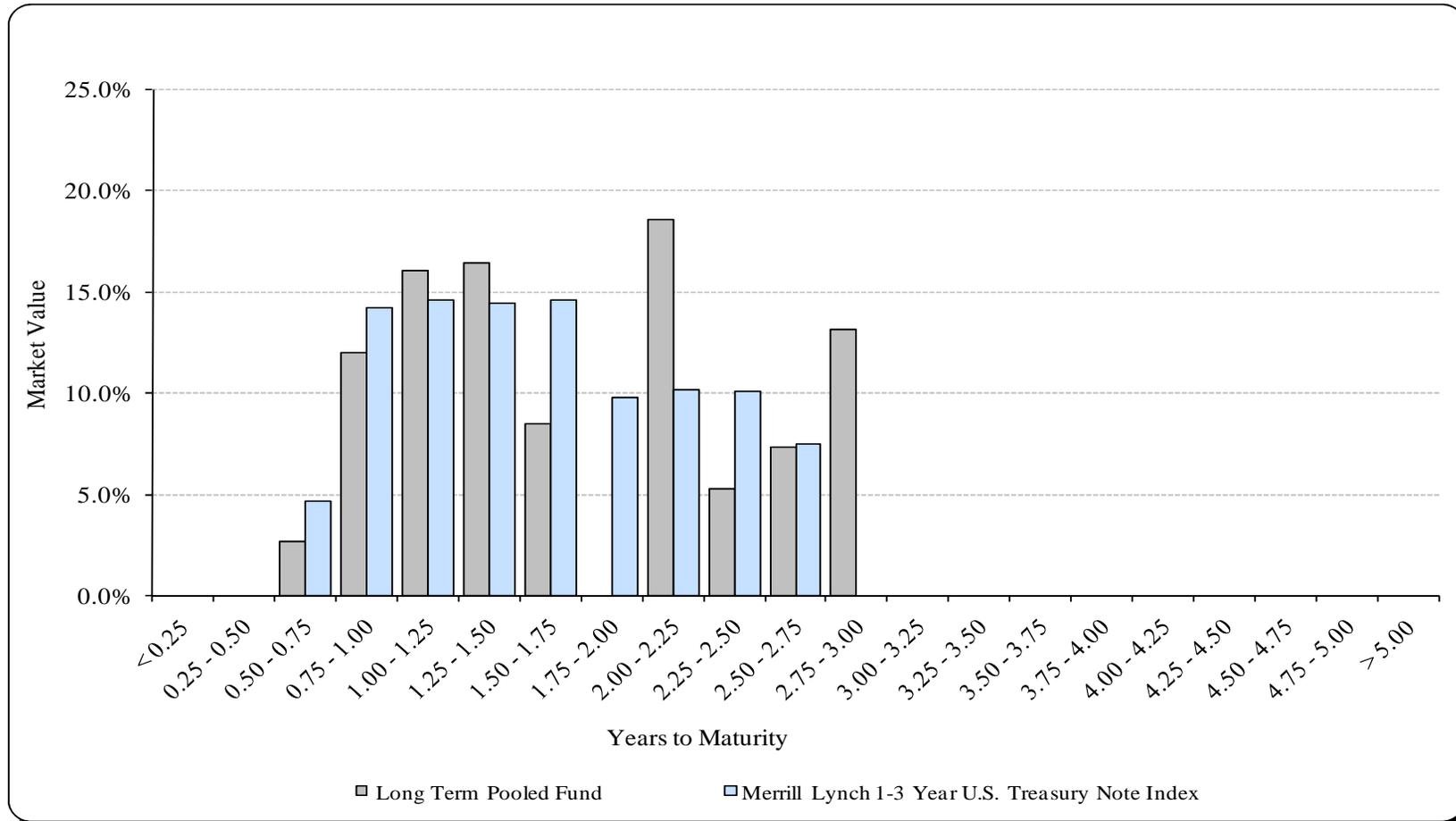
<u>Maturity Distribution¹</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	0.00	0.00
6 - 12 Months	2,775,951.55	501,709.10
1 - 2 Years	7,788,291.31	10,082,802.37
2 - 3 Years	8,423,669.40	3,449,814.80
3 - 4 Years	0.00	1,007,016.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$18,987,912.26	\$15,041,342.27



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.

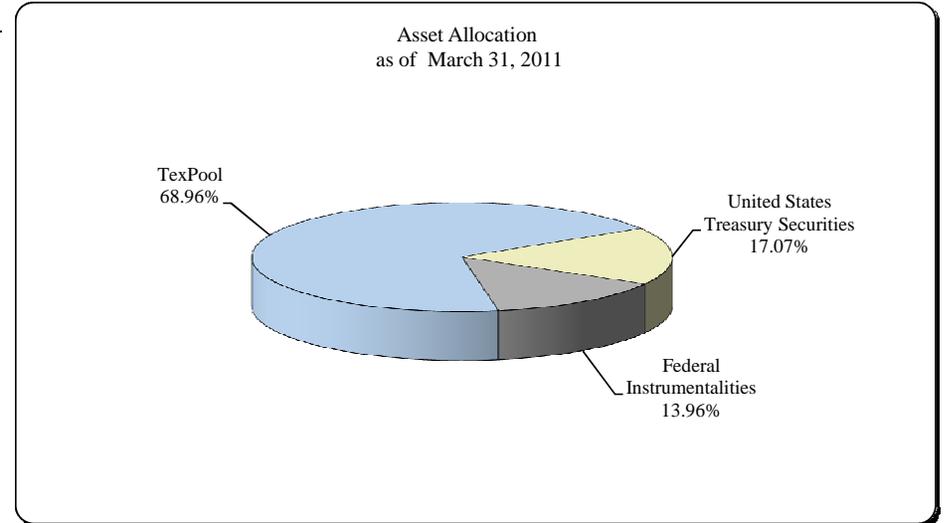
Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark¹



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	March 31, 2011	Notes	Permitted by Policy
TexStar	0.00%		100%
TexPool	68.96%		100%
United States Treasury Securities	17.07%		100%
United States Government Agency Securities	0.00%		100%
Federal Instrumentalities	13.96%	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	March 31, 2011	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)	2.91%		40%
Federal National Mortgage Association (FNMA)	9.14%		40%
Federal Home Loan Mortgage Corporation (FHLMC)	1.91%		40%
Student Loan Marketing Association (SLMA)	0.00%		N/A

Individual Issuer Breakdown	March 31, 2011	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%
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 March 31, 2011 is 13.96%.
 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 March 31, 2011, 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

Ann M. Honza, Director of Financial Services