

City of Rowlett, Texas



Investment Performance Review Quarter Ended September 30, 2013

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TAB I

Summary

- Markets were whipsawed during the third quarter, as rates marched steadily higher into September, only to reverse on:
 - Weaker-than-expected employment and economic data;
 - Larry Summers' withdrawal from consideration as the next Federal Reserve (Fed) Chairman; and
 - The Fed's surprise announcement that it would await more evidence of sustainable economic progress before adjusting the pace of its bond purchases.
- As a result of the Fed's decision not to taper its bond-purchasing programs, ten-year Treasury yields ended the quarter at 2.6%, only slightly higher than the end of June, when yields were 2.5%.
- The domestic economy continued to grow modestly, although forecasts for growth into next year have been reduced.
- Partisan wrangling over the federal budget, looming debt ceiling, and impact of the government shutdown have created a great deal of uncertainty.

Economic Snapshot

- U.S. gross domestic product (GDP) grew at a modest 2.5% for the second quarter. The release of the Fed's September economic projections confirmed that growth is unlikely to pick up in the next few quarters, as its GDP growth forecast was revised slightly downward for 2013, 2014, and 2015.
- During the quarter, the unemployment rate continued to fall from 7.6% in June to 7.3% in August. The economy created 169,000 jobs in August, but that figure was overshadowed by large downward revisions to the prior two months' figures.
- Consumer confidence fell to 79.7 in September, marking its weakest reading since May.

- The euro zone emerged from recession but generated second-quarter GDP growth of only 0.3%.

Interest Rates

- Intermediate-term interest rates were slightly lower at the end of the quarter, as the market re-priced the yield curve to reflect the Fed's surprise inaction on tapering.
- At its September 17-18 meeting, the Federal Open Market Committee (FOMC) maintained its commitment to low short-term rates until the unemployment picture improves, as long as inflation remains within expectations. Its decision not to taper was based partially on its belief that growth in the near term would be somewhat lower than expected.
- While rates have come down from two-year highs in early September, once tapering starts, they may resume their gradual trend toward normalization, resulting in higher levels over time.

Sector Performance

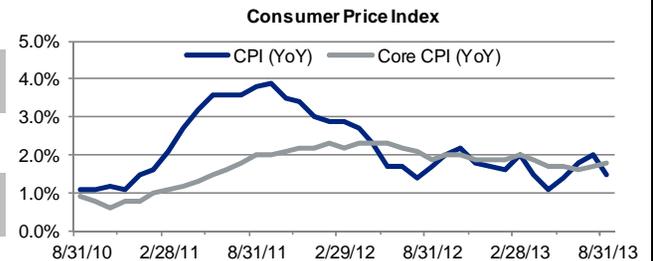
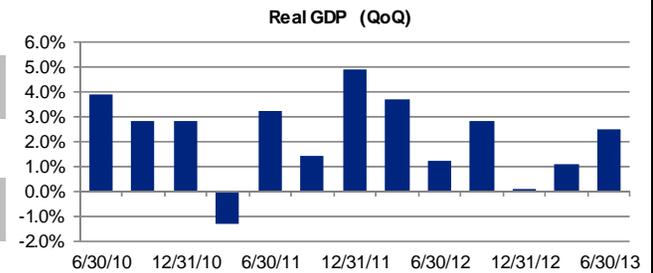
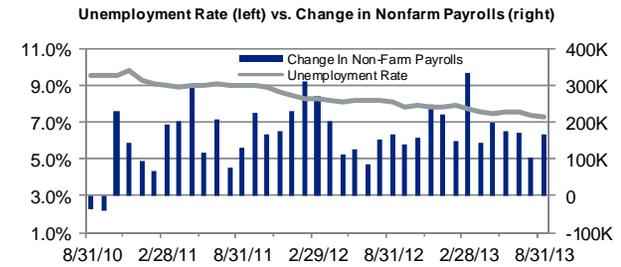
- Fixed-income securities generally performed well across most segments of the U.S. market, with intermediate-term maturities performing best.
- The corporate sector led the way with strong returns, as yield spreads reversed much of the spread widening that occurred in the second quarter.
- Agencies modestly outperformed Treasuries for the quarter, but yield spreads remain near historically narrow levels, especially in shorter maturities.
- Agency mortgage-backed securities had a very good quarter, as option-adjusted spreads narrowed, while the worst of the rate-induced duration extensions appear to be behind us.
- Short- and intermediate-term municipal bonds also had a good quarter, despite the Detroit bankruptcy filing in July.

Economic Snapshot

Labor Market		Latest	Jun 2013	Sep 2012
Unemployment Rate	Aug'13	7.3%	7.6%	7.8%
Change In Non-Farm Payrolls	Aug'13	169,000	172,000	138,000
Average Hourly Earnings (YoY)	Aug'13	2.2%	2.1%	2.0%
Personal Income (YoY)	Aug'13	3.7%	3.2%	3.6%
Initial Jobless Claims (week)	10/4/13	374,000	344,000	368,000

Growth				
Real GDP (QoQ SAAR)	2013Q2	2.5%	1.1% ¹	2.8% ²
GDP Personal Consumption (QoQ SAAR)	2013Q2	1.8%	2.3% ¹	1.7% ²
Retail Sales (YoY)	Aug'13	4.7%	6.0%	5.7%
ISM Manufacturing Survey (month)	Sep'13	56.2	50.9	51.6
Existing Home Sales SAAR (month)	Aug'13	5.48 mil.	5.06 mil.	4.78 mil.

Inflation / Prices				
Personal Consumption Expenditures (YoY)	Aug'13	1.2%	1.3%	1.7%
Consumer Price Index (YoY)	Aug'13	1.5%	1.8%	2.0%
Consumer Price Index Core (YoY)	Aug'13	1.8%	1.6%	2.0%
Crude Oil Futures (WTI, per barrel)	Sep 30	\$102.33	\$96.56	\$92.19
Gold Futures (oz)	Sep 30	\$1,327	\$1,224	\$1,771



1. Data as of First Quarter 2013 2. Data as of Third Quarter 2012

3. Some recent economic data has not been released due to the U.S. Government shutdown

Note: YoY = year over year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil

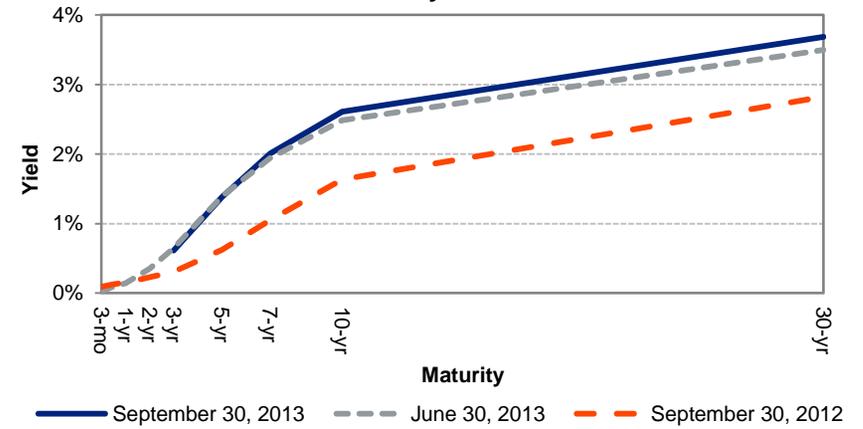
Source: Bloomberg

Investment Rate Overview

U.S. Treasury Note Yields



U.S. Treasury Yield Curve

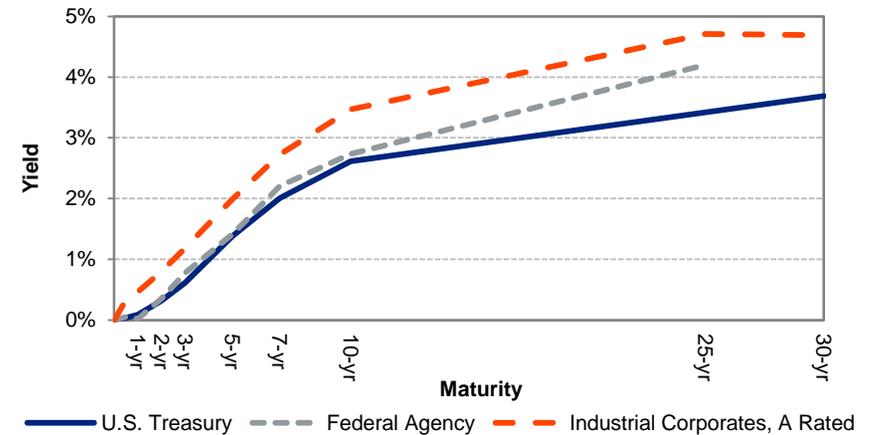


U.S. Treasury Yields

Maturity	9/30/13	6/30/13	Change over Quarter	9/30/12	Change over Year
3-month	0.01%	0.03%	(0.02%)	0.09%	(0.08%)
1-year	0.11%	0.17%	(0.06%)	0.16%	(0.05%)
2-year	0.32%	0.37%	(0.05%)	0.25%	0.07%
5-year	1.39%	1.40%	(0.01%)	0.63%	0.76%
10-year	2.67%	2.52%	0.15%	1.70%	0.97%
30-year	3.68%	3.48%	0.20%	2.82%	0.86%

Source: Bloomberg

Yield Curves as of 9/30/2013



BofA Merrill Lynch Index Returns

	As of 9/30/2013		Returns for Periods ended 9/30/2013		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.90	0.33%	0.29%	0.37%	0.71%
Federal Agency	1.75	0.45%	0.30%	0.39%	0.87%
U.S. Corporates, A-AAA rated	1.93	1.00%	0.74%	1.39%	2.22%
Agency MBS (0 to 3 years)	1.78	1.34%	1.03%	(0.28%)	1.92%
Municipals	1.83	0.64%	0.47%	0.76%	1.25%
1-5 Year Indices					
U.S. Treasury	2.70	0.62%	0.46%	(0.03%)	1.16%
Federal Agency	2.48	0.75%	0.52%	0.07%	1.15%
U.S. Corporates, A-AAA rated	2.83	1.49%	1.16%	1.17%	2.79%
Agency MBS (0 to 5 years)	3.26	2.54%	0.93%	(0.74%)	2.55%
Municipals	2.57	0.98%	0.67%	0.58%	1.72%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	5.70	1.42%	0.03%	(2.54%)	2.12%
Federal Agency	3.93	1.33%	0.35%	(1.38%)	1.63%
U.S. Corporates, A-AAA rated	6.44	2.84%	0.86%	(1.72%)	3.83%
Agency MBS	5.17	2.94%	1.08%	(1.20%)	2.66%
Municipals	8.04	3.40%	(0.41%)	(2.75%)	3.28%

1. Duration and yield are after the indices were rebalanced at month end.

2. Returns are rolling returns. Returns for periods greater than one year are annualized.

Source: Bloomberg

Disclosures

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.

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TAB II

Executive Summary

PORTFOLIO STRATEGY

- The City's Pooled Funds and Long Term Pooled Fund Portfolios are of high credit quality and invested in U.S. Treasury, Federal Agency, and high quality commercial paper securities.
- The Long Term Pooled Fund Portfolio's quarterly total return performance was 0.29%, performed in-line with the benchmark's performance of 0.29%. Over the past year, the Portfolio earned 0.27%, versus 0.37% for the benchmark.
- 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 0.24%, exceeding the Yield to Maturity of its benchmark the TexPool by 20 basis points (0.20%).
- Our investment strategy was based on the view that interest rates will trend gradually higher as modest economic expansion in the U.S. continues. The Federal Reserve must eventually curtail its bond purchases and rates will begin to normalize from artificially low levels. The key pillars of our strategy included:
 - Keeping duration a bit shorter and more conservative than benchmarks, and
 - Careful timing of purchases when rates were near the top of their recent range.
- Unlike stock market indexes whose composition remains fairly constant (e.g. Dow Jones 30 industrials or S&P 500), bond market indexes change constituents every month. Shorter maturity bonds drop out and newly-issued or longer maturity bonds roll into the designated maturity range (e.g. 1-3 year, 1-5 year). This causes the average maturity of the typical bond index to extend at the beginning of each new month. Portfolio managers normally execute monthly trades to match the extension of their benchmarks.
- Our expectations are that U.S. economic growth will continue, but Fed projections may prove too optimistic. We believe that the U.S. will not default on its debt, and Janet Yellen will be confirmed as the next Chair of the Federal Reserve and will continue Bernanke's accommodative monetary policies.
- Treasury yields will likely be range bound due to the unevenness of the economic recovery. The tradable range for Treasury yields will gradually rise as monetary policy accommodation is slowly removed.
- The current modestly conservative duration posture for portfolios will likely be maintained for the foreseeable future. Bouts of market weakness may be used to match monthly index extensions at favorable levels, when deemed appropriate.
- As always, we strive to maintain safety of principal and appropriate liquidity, while maximizing value through careful, prudent management. 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 Account Name	Amortized Cost ^{1,2,3} September 30, 2013	Amortized Cost ^{1,2,3} June 30, 2013	Market Value ^{1,2,3} September 30, 2013	Market Value ^{1,2,3} June 30, 2013	Duration (Years) September 30, 2013
Pooled Funds	\$11,993,962.32	\$11,986,571.66	\$11,995,814.40	\$11,986,387.20	0.210
Long Term Pooled Fund	18,646,275.66	18,685,456.16	18,657,678.74	18,669,904.34	1.350
TexPool	9,138,112.88	18,185,692.20	9,138,112.88	18,185,692.20	0.003
Total	\$39,778,350.86	\$48,857,720.02	\$39,791,606.02	\$48,841,983.74	0.697

Yields Account Name	Yield to Maturity on Cost ⁴ September 30, 2013	Yield to Maturity on Cost ⁴ June 30, 2013	Yield to Maturity at Market September 30, 2013	Yield to Maturity at Market June 30, 2013	Duration (Years) June 30, 2013
Pooled Funds	0.24%	0.24%	0.15%	0.25%	0.460
Long Term Pooled Fund	0.57%	0.57%	0.35%	0.45%	1.830
TexPool ⁵	0.04%	0.06%	0.04%	0.06%	0.003
Weighted Average YTM	0.35%	0.30%	0.22%	0.25%	0.813

Monthly Interest earnings YTD^{6,7}

October 2012	(\$1,010.71)	April 2013	\$9,084.13
November 2012	\$13,432.25	May 2013	(\$7,960.80)
December 2012	\$12,032.85	June 2013	(\$33,047.43)
January 2013	\$6,582.00	July 2013	34,209.57
February 2013	\$5,723.90	August 2013	(8,839.95)
March 2013	\$9,524.03	September 2013	33,042.21

Total Fiscal Year Net Earnings \$72,772.05

Notes:

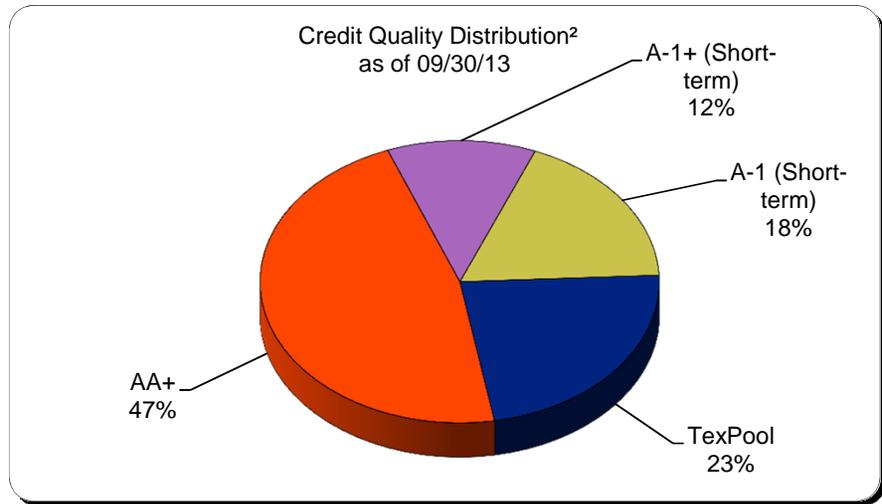
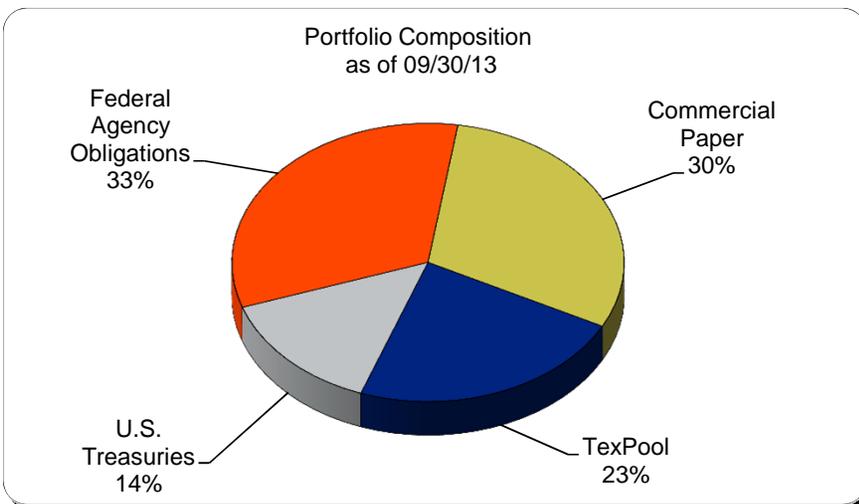
1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative 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					3/31/2013	3/31/2013	3/31/2013	6/30/2013	6/30/2013	6/30/2013	CHANGE IN
CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE	MARKET VALUE
TEXPOOL	TEXPOOL				0.00	18,185,692.20	18,185,692.20	0.00	9,138,112.88	9,138,112.88	-49.75%
					\$0.00	\$18,185,692.20	\$18,185,692.20	\$0.00	\$9,138,112.88	\$9,138,112.88	-49.75%
TOTAL					\$0.00	\$18,185,692.20	\$18,185,692.20	\$0.00	\$9,138,112.88	\$9,138,112.88	-49.75%
POOLED FUNDS											
COMMERCIAL PAPER											
0556N0XA8	FNMA GLOBAL NOTES	2,400,000	0.000	10/10/13	\$0.00	\$2,398,316.66	\$2,398,096.80	\$0.00	\$2,399,850.00	\$2,399,918.40	0.08%
90262CY76	FHLB GLOBAL BONDS	2,400,000	0.000	11/07/13	0.00	2,398,150.99	2,397,871.20	0.00	2,399,469.67	2,399,659.20	0.07%
06538BZA4	FHLB GLOBAL BENCHMARK NOTES	2,400,000	0.000	12/10/13	0.00	2,397,192.00	2,397,139.20	0.00	2,398,786.66	2,399,085.60	0.08%
36959JA60	FHLMC NOTES	2,400,000	0.000	01/06/14	0.00	2,397,228.00	2,397,312.00	0.00	2,398,577.33	2,399,359.20	0.09%
89233HC77	FREDDIE MAC GLOBAL NOTES	2,400,000	0.000	03/07/14	0.00	2,395,684.01	2,395,968.00	0.00	2,397,278.66	2,397,792.00	0.08%
		\$12,000,000			\$0.00	\$11,986,571.66	\$11,986,387.20	\$0.00	\$11,993,962.32	\$11,995,814.40	0.08%
TOTAL		\$12,000,000			\$0.00	\$11,986,571.66	\$11,986,387.20	\$0.00	\$11,993,962.32	\$11,995,814.40	0.079%
LONG TERM POOLED FUND											
FED AGY BOND/NOTE											
3137EACZ0	FREDDIE MAC GLOBAL NOTES	2,000,000	0.375	11/27/13	\$708.33	\$1,999,449.26	\$2,001,904.00	\$2,583.33	\$1,999,788.76	\$2,000,918.00	-0.05%
31398AVD1	FNMA GLOBAL NOTES	1,500,000	2.750	02/05/14	16,729.17	1,521,673.73	1,523,317.50	6,416.67	1,512,561.75	1,513,789.50	-0.63%
3135G0NP4	FANNIE MAE (CALLABLE) GLOBAL NOTES	2,500,000	0.500	08/20/15	4,548.61	2,498,929.63	2,498,315.00	1,423.61	2,499,054.28	2,501,242.50	0.12%
3135G0VA8	FANNIE MAE GLOBAL NOTES	1,000,000	0.500	03/30/16	1,263.89	1,002,613.46	994,396.00	13.89	1,002,377.14	997,554.00	0.32%
3135G0VA8	FANNIE MAE GLOBAL NOTES	2,000,000	0.500	03/30/16	2,527.78	1,998,557.96	1,988,792.00	27.78	1,998,689.38	1,995,108.00	0.32%
3137EADQ9	FREDDIE MAC GLOBAL NOTES	2,000,000	0.500	05/13/16	1,333.33	1,998,146.48	1,987,400.00	3,833.33	1,998,307.38	1,994,818.00	0.37%
3133834R9	FEDERAL HOME LOAN BANK GLOBAL NO	2,000,000	0.375	06/24/16	145.83	1,988,476.56	1,977,530.00	2,020.83	1,989,436.20	1,989,462.00	0.60%
		\$13,000,000			\$27,256.94	\$13,007,847.08	\$12,971,654.50	\$16,319.44	\$13,000,214.89	\$12,992,892.00	0.16%
US TSY BOND/NOTE											
912828PZ7	US TREASURY NOTES	2,500,000	1.250	3/15/2014	\$9,171.20	\$2,499,645.03	\$2,519,335.00	\$1,381.22	\$2,499,770.58	\$2,513,575.00	-0.23%
912828RZ5	US TREASURY NOTES	1,510,000	0.250	1/15/2015	1,741.51	1,508,677.01	1,509,705.55	800.14	1,508,892.14	1,511,416.38	0.11%
912828NP1	US TREASURY NOTES	1,575,000	1.750	7/31/2015	11,497.06	1,619,620.33	1,619,542.58	4,643.68	1,614,253.57	1,616,650.88	-0.18%
		\$5,585,000			\$22,409.77	\$5,627,942.37	\$5,648,583.13	\$6,825.04	\$5,622,916.29	\$5,641,642.26	-0.12%
TOTAL		\$18,585,000			\$49,666.71	\$18,635,789.45	\$18,620,237.63	\$23,144.48	\$18,623,131.18	\$18,634,534.26	0.077%
TOTAL PORTFOLIO		\$30,585,000			\$49,666.71	\$48,808,053.31	\$48,792,317.03	\$23,144.48	\$39,755,206.38	\$39,768,461.54	-18.49%

Summary Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>September 30, 2013</u>	<u>% of Portfolio</u>	<u>June 30, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$5,648,467.30	14.2%	\$5,670,992.90	4.4%
Federal Agencies	13,009,211.44	32.7%	12,998,911.44	49.1%
Commercial Paper	11,995,814.40	30.1%	11,986,387.20	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	0.00%	0.00	0.0%
TexPool	9,138,112.88	23.0%	18,185,692.20	46.5%
Totals	\$39,791,606.02	100.0%	\$48,841,983.74	100.0%

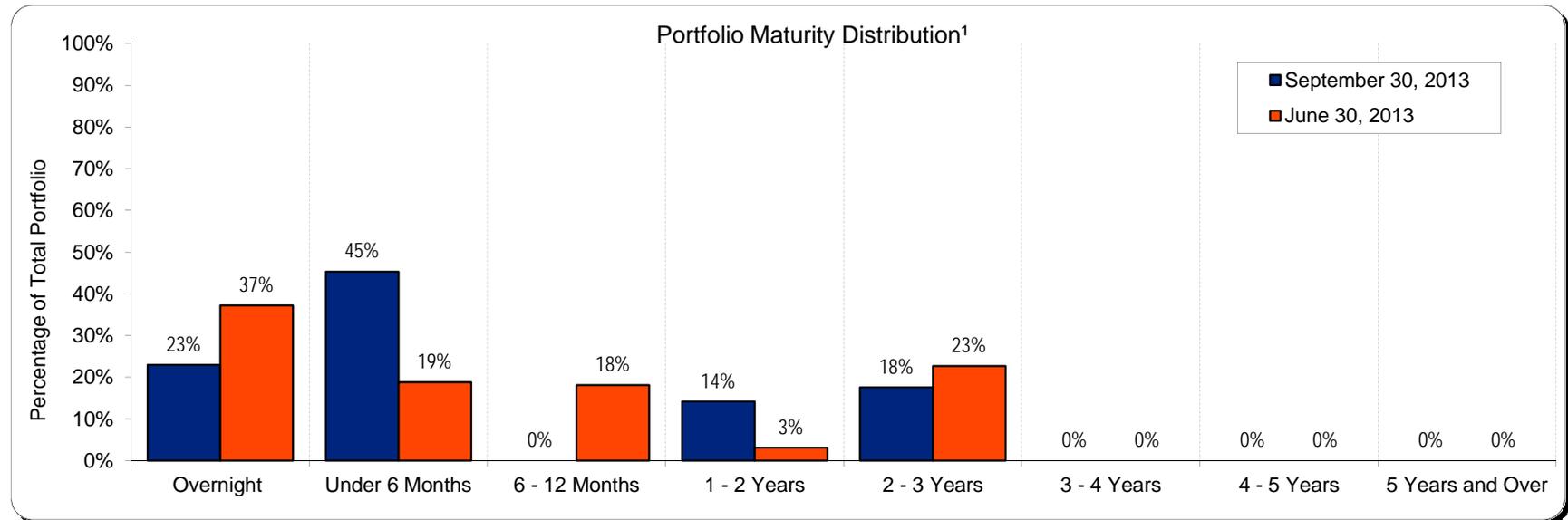


Notes:

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 Distribution¹</u>	<u>September 30, 2013</u>	<u>June 30, 2013</u>
Overnight (Money Market Fund)	\$9,138,112.88	\$18,185,692.20
Under 6 Months	18,034,478.12	9,195,719.53
6 - 12 Months	0.00	8,861,832.87
1 - 2 Years	5,636,177.19	1,511,447.06
2 - 3 Years	6,982,837.83	11,087,292.08
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$39,791,606.02	\$48,841,983.74



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
7/31/2013			
July Market Value		46,743,972.45	1 Account Summary Page
July Accrued Interest		47,122.41	2 Account Summary Page
Less (Purchases & Deposits)		(429,296.83)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		2,500,000.00	5 Security Transactions & Interest
Add Interest Receipts		16,431.39	6 Security Transactions & Interest
Less June Market Value		(48,792,317.03)	7 Account Summary Page
Less June Accrued Interest		(49,666.71)	8 Account Summary Page
Earnings		36,245.68	

Change in Investment Market Value	(2,048,344.58)	(1 - 7)
Change in Accrued Interest	(2,544.30)	(2 - 8)
Change in Cash	2,087,134.56	(sum 3 thru 6)

Investment Entries		Debit	Credit	Source Document
<i>To Record Investment Activity</i>				
Cash		2,070,703.17		Security Transactions & Interest
Investments			2,048,344.58	Amortization/Accretion
Investment Income			22,358.59	Earnings
To record investment income/changes				
Cash		16,431.39		Security Transactions & Interest
Accrued Interest			2,544.30	Accrued Interest Difference
Investment Income			13,887.09	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
8/31/2013			
August Market Value		40,835,798.39	1 Account Summary Page
August Accrued Interest		33,332.20	2 Account Summary Page
Less (Purchases & Deposits)		(554,671.25)	3 Security Transactions & Interest
Less Purchased Interest		-	4 Security Transactions & Interest
Add (Sales, Maturities, Paydowns, Withdrawals)		6,443,231.53	5 Security Transactions & Interest
Add Interest Receipts		27,361.41	6 Security Transactions & Interest
Less July Market Value		(46,744,735.09)	7 Account Summary Page
Less July Accrued Interest		(47,122.41)	8 Account Summary Page
Earnings		(6,805.22)	

Change in Investment Market Value	-5,908,936.70	(1 - 7)
Change in Accrued Interest	(13,790.21)	(2 - 8)
Change in Cash	5,915,921.69	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>			
	Debit	Credit	Source Document
Cash	5,888,560.28		Security Transactions & Interest
Investments		5,908,936.70	Amortization/Accretion
Investment Income	20,376.42		Earnings
To record investment income/changes			
Cash	27,361.41		Security Transactions & Interest
Accrued Interest		13,790.21	Accrued Interest Difference
Investment Income		13,571.20	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
9/30/2013			
September Market Value		39,768,129.40	1 Account Summary Page
September Accrued Interest		23,144.48	2 Account Summary Page
Less (Purchases & Deposits)		(410,102.94)	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		23,457.14	6 Security Transactions & Interest
Less August Market Value		(40,836,284.80)	7 Account Summary Page
Less August Accrued Interest		(33,332.20)	8 Account Summary Page
Earnings		35,011.08	

Change in Investment Market Value	(1,068,155.40)	(1 - 7)
Change in Accrued Interest	(10,187.72)	(2 - 8)
Change in Cash	1,113,354.20	(sum 3 thru 6)

Investment Entries			
<i>To Record Investment Activity</i>			
	Debit	Credit	Source Document
Cash	1,089,897.06		Security Transactions & Interest
Investments		1,068,155.40	Amortization/Accretion
Investment Income		21,741.66	Earnings
To record investment income/changes			
Cash	23,457.14		Security Transactions & Interest
Accrued Interest		10,187.72	Accrued Interest Difference
Investment Income		13,269.42	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} September 30, 2013	Amortized Cost ^{1,2,3} June 30, 2013	Market Value^{1,2,3} September 30, 2013	Market Value ^{1,2,3} June 30, 2013	Duration (Years) September 30, 2013
Pooled Funds	\$11,993,962.32	\$11,986,571.66	\$11,995,814.40	\$11,986,387.20	0.210

<u>Account Name</u>	Yield to Maturity on Cost⁴ September 30, 2013	Yield to Maturity on Cost ⁴ June 30, 2013	Yield to Maturity at Market September 30, 2013	Yield to Maturity at Market June 30, 2013	Duration (Years) June 30, 2013
Pooled Funds	0.24%	0.24%	0.15%	0.25%	0.460

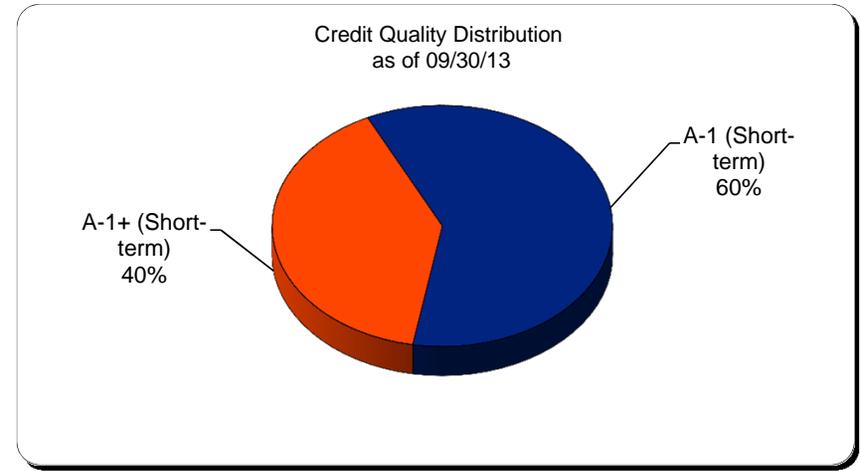
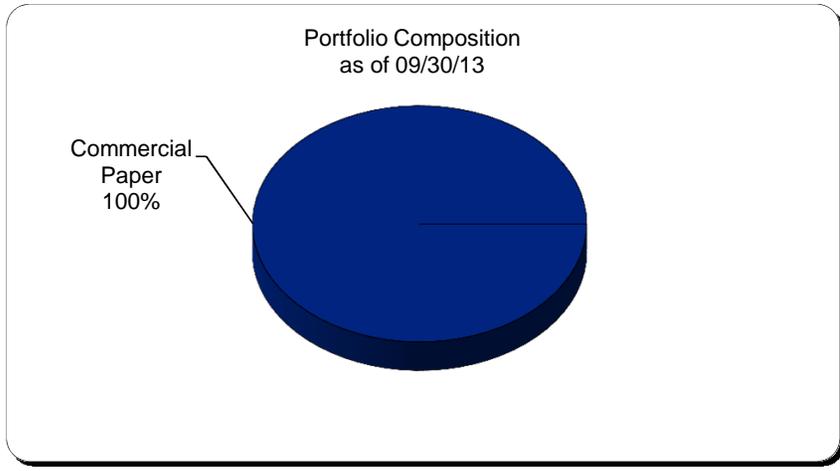
<u>Benchmarks⁵</u>	September 30, 2013	June 30, 2013
TexPool ⁶	0.04%	0.06%

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. Yields presented on an annualized basis as of September 30, 2013.
6. TexPool yield is obtained from www.texpool.com.

Pooled Funds Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>September 30, 2013</u>	<u>% of Portfolio</u>	<u>June 30, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.00%	\$0.00	0.00%
Federal Agencies	0.00	0.00%	0.00	0.00%
Commercial Paper	11,995,814.40	100.00%	11,986,387.20	100.00%
Commercial Paper - TLGP	0.00	0.00%	0.00	0.00%
Certificates of Deposit	0.00	0.00%	0.00	0.00%
Bankers Acceptances	0.00	0.00%	0.00	0.00%
Repurchase Agreements	0.00	0.00%	0.00	0.00%
Municipal Obligations	0.00	0.00%	0.00	0.00%
Corporate Notes/Bonds	0.00	0.00%	0.00	0.00%
Mortgage Backed	0.00	0.00%	0.00	0.00%
Money Market Fund/Cash	0.00	0.00%	0.00	0.00%
Totals	\$11,995,814.40	100.00%	\$11,986,387.20	100.00%

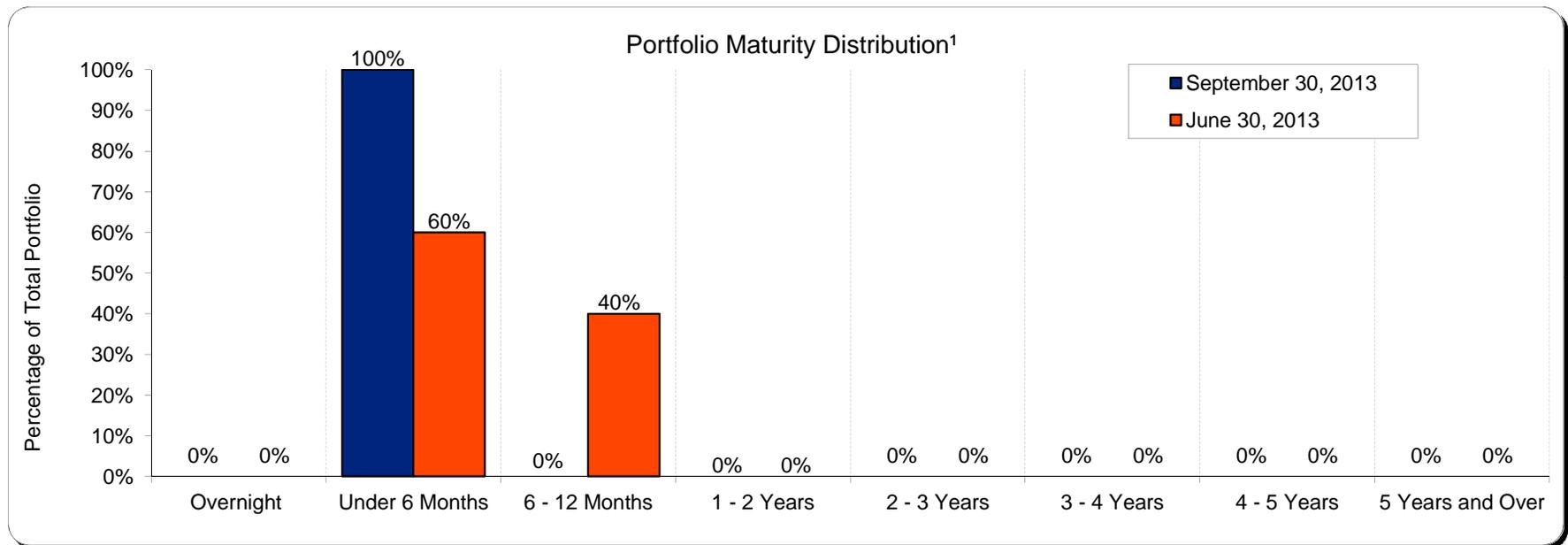


Notes:

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.

Pooled Funds Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>September 30, 2013</u>	<u>June 30, 2013</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	11,995,814.40	7,193,107.20
6 - 12 Months	0.00	4,793,280.00
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	\$11,995,814.40	\$11,986,387.20



Notes:

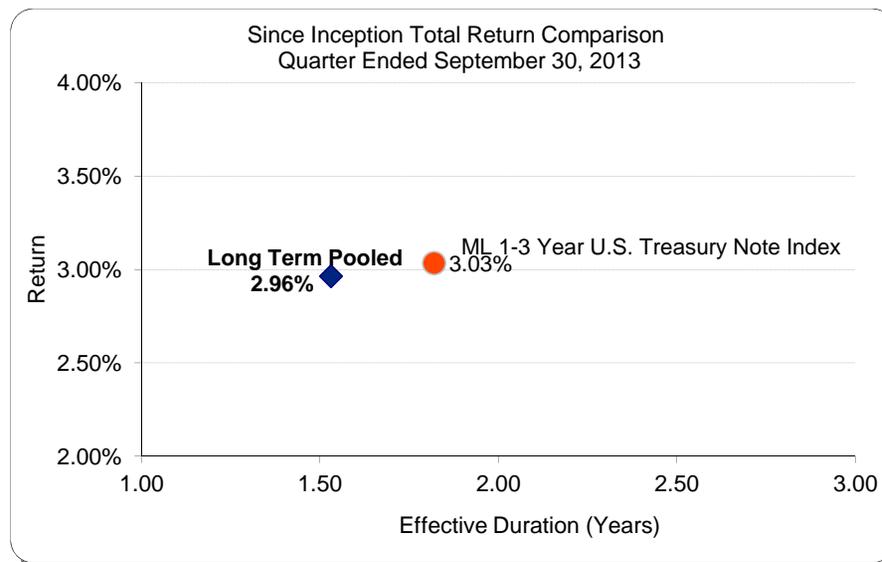
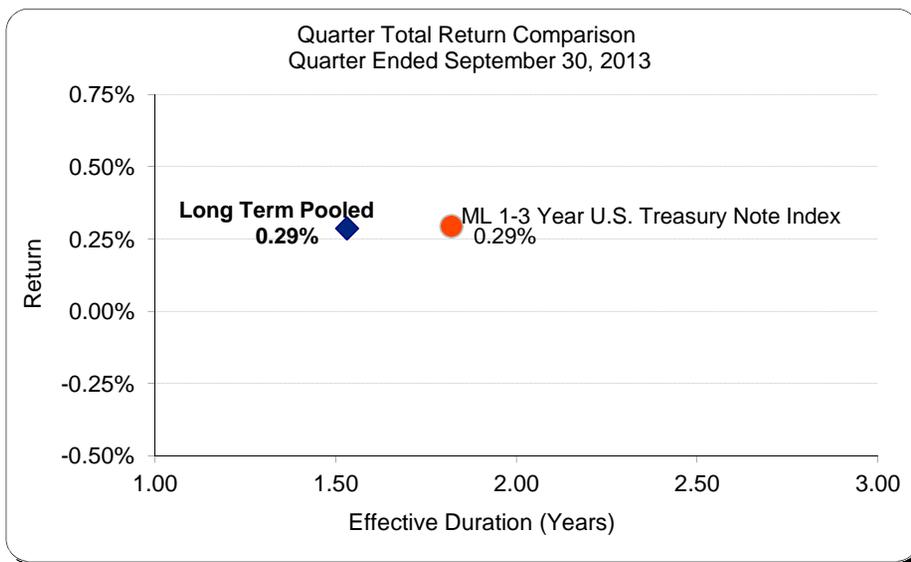
1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Long Term Pooled Fund Portfolio Performance

Total Portfolio Value ¹	September 30, 2013	June 30, 2013
Market Value	\$18,657,678.74	\$18,669,904.34
Amortized Cost	\$18,646,275.66	\$18,685,456.16

Total Return ^{2,3,4,5}	Quarterly Return September 30, 2013	Last 6 Months	Last 12 Months	Last 2 Years	Last 5 Years	Since Inception June 30, 2006
Long Term Pooled Fund	0.29%	0.10%	0.27%	0.41%	1.79%	2.96%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.29%	0.18%	0.37%	0.46%	1.62%	3.03%

Effective Duration(Years) ^{4,5}	September 30, 2013	June 30, 2013	Yields	September 30, 2013	June 30, 2013
Long Term Pooled Fund	1.53	1.77	Yield at Market	0.35%	0.45%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.82	1.81	Yield at Cost	0.57%	0.57%
Portfolio Duration % of Benchmark Duration	84%	98%			

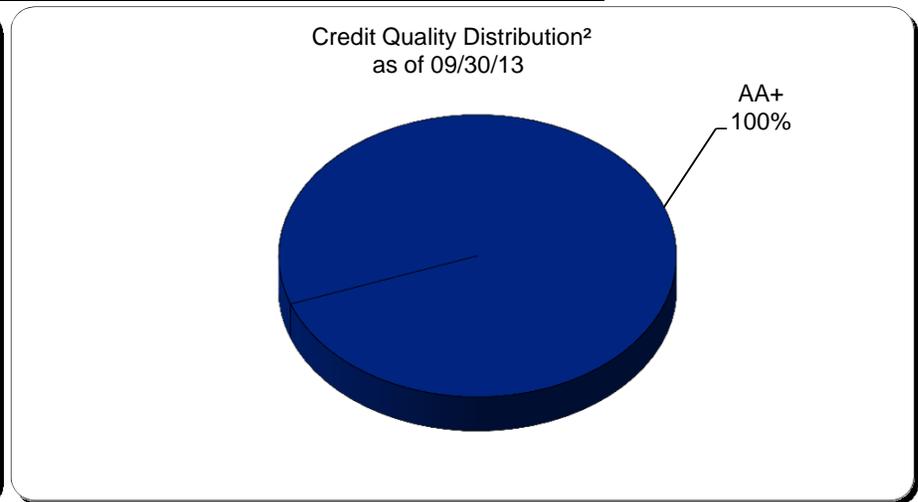
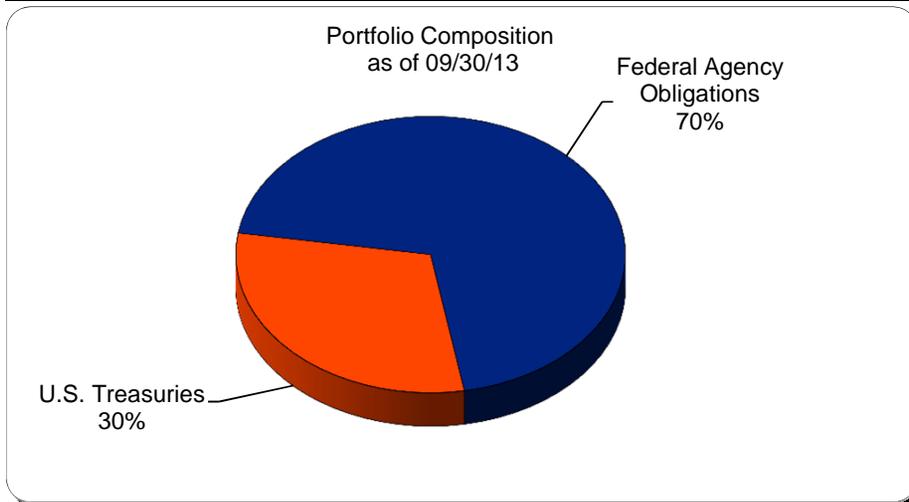


Notes:

- 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). Quarterly returns are presented on an unannualized basis. Returns presented for 12 months or longer are presented on an annual basis. Past performance is not indicative of future results.
- Since Inception the benchmark has been the Merrill Lynch 1-3 Year U.S. Treasury Note.
- Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Excludes money market fund/cash in performance and duration computations.

Long Term Pooled Fund Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>September 30, 2013</u>	<u>% of Portfolio</u>	<u>June 30, 2013</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$5,648,467.30	30.3%	\$5,670,992.90	30.4%
Federal Agencies	13,009,211.44	69.7%	12,998,911.44	69.6%
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	\$18,657,678.74	100.0%	\$18,669,904.34	100.0%

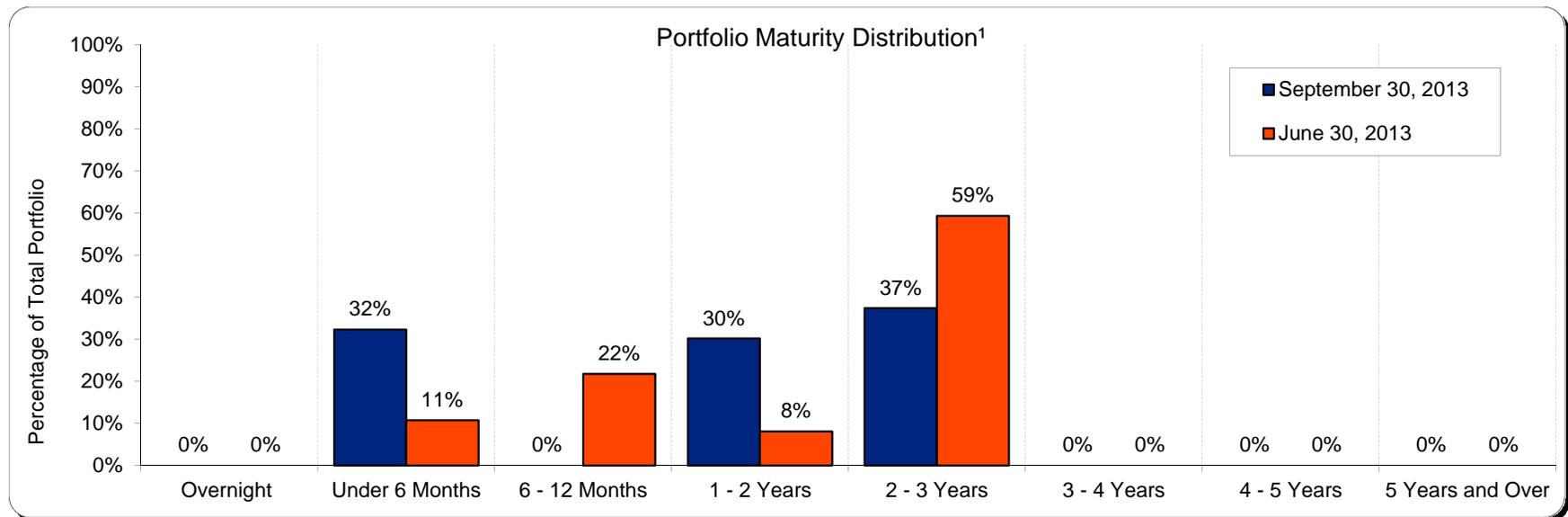


Notes:

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

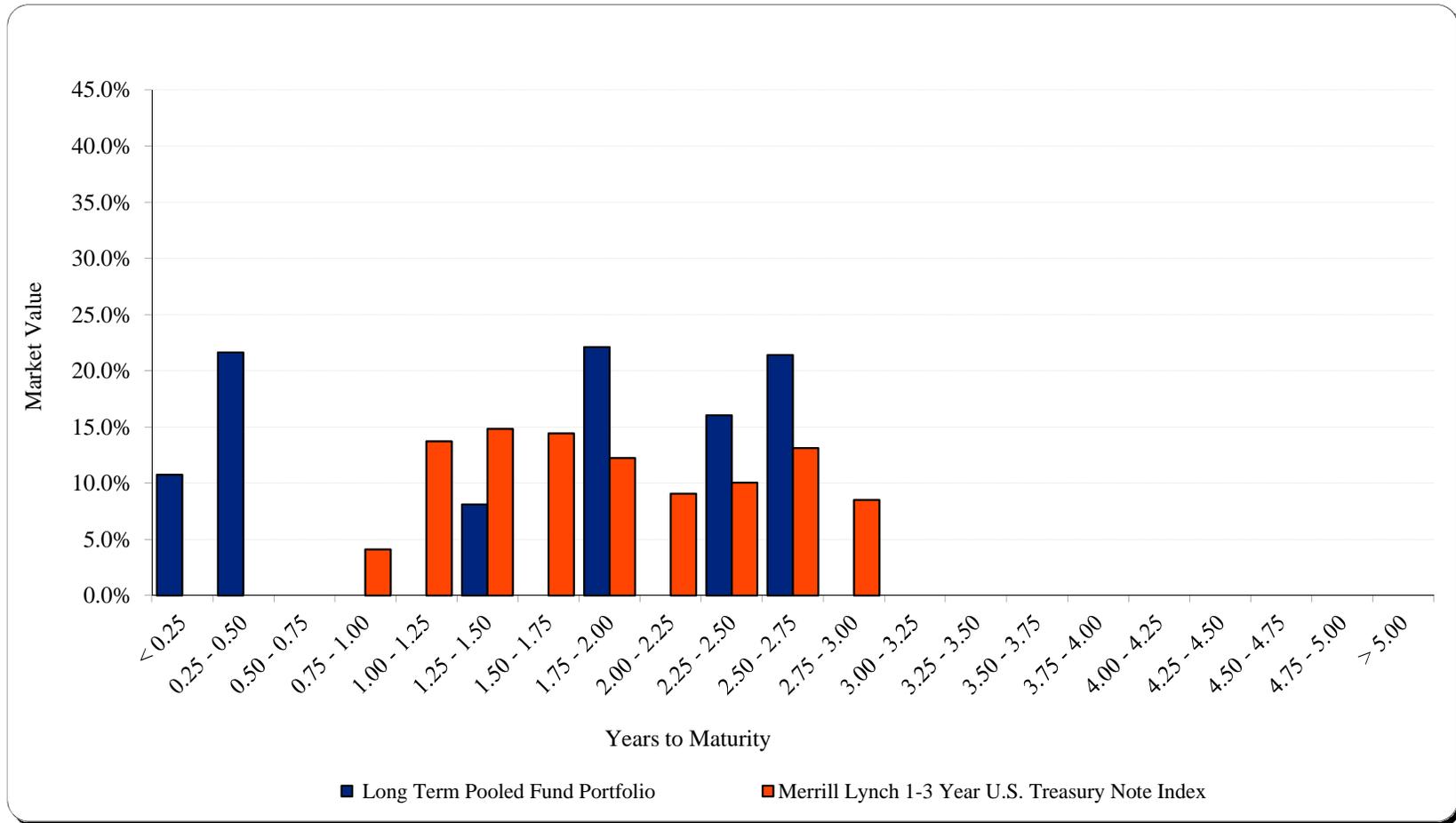
<u>Maturity Distribution¹</u>	<u>September 30, 2013</u>	<u>June 30, 2013</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	6,038,663.72	2,002,612.33
6 - 12 Months	0.00	4,068,552.87
1 - 2 Years	5,636,177.19	1,511,447.06
2 - 3 Years	6,982,837.83	11,087,292.08
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$18,657,678.74	\$18,669,904.34



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.

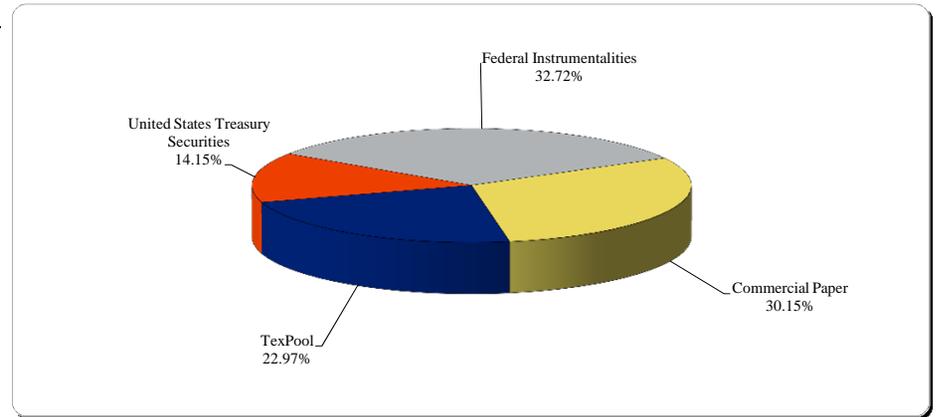
Long Term Pooled Fund Portfolio Maturity Distribution versus the Benchmark¹



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	September 30, 2013	September 30, 2013	Notes	Permitted by Policy
TexStar	-	0.00%		100%
TexPool	9,138,112.88	22.97%		100%
United States Treasury Securities	5,629,741.33	14.15%		100%
United States Government Agency Securities	-	0.00%		100%
Federal Instrumentalities	13,016,534.33	32.72%	1	100%
Mortgage-Backed Securities	-	0.00%	1	40%
Certificates of Deposit	-	0.00%		20%
Repurchase Agreements	-	0.00%		20%
Commercial Paper	11,993,962.32	30.15%	3	25%
Corporate Notes TLGP - FDIC insured	-	0.00%		50%
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	September 30, 2013	September 30, 2013	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)	1,991,457.03	5.01%		40%
Federal National Mortgage Association (FNMA)	7,020,564.50	17.65%		40%
Federal Home Loan Mortgage Corporation (FHLMC)	4,004,512.80	10.07%		40%

Individual Issuer Breakdown	September 30, 2013	September 30, 2013	Notes	Permitted by Policy
General Electric Commercial Paper	2,398,577.33	6.03%	3	5%
BNP Paribas Commercial Paper	2,399,850.00	6.03%	3	5%
Toyota Commercial Paper	2,397,278.66	6.03%	3	5%
UBS Finance Commercial Paper	2,399,469.67	6.03%	3	5%
Bank of Tokyo Mitsubishi Commercial Paper	2,398,786.66	6.03%	3	5%

Notes:

1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of September 30, 2013 is 32.72%.
2. End of month trade-date amortized cost of portfolio holdings, including accrued interest.
3. Since July the overall investment balance has dropped \$9 million. This was spent to meet liquidity needs. The commercial paper securities were purchased in June and were in compliance at the time of purchase.

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 September 30, 2013, 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

Alan Guard, Director of Financial Services

TAB III

Insert Month End Statement here to complete the report.

In consideration of the safety and security of our client's sensitive information, PFM Asset Management's compliance department does not allow the inclusion of month end statements in any electronic communication including this version of the quarterly performance 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.

The most current statements are always available to the client online, however they can only be accessed with the designated username and password.

TAB IV