

Annual Report

December 31, 2013

TexasTERM Local Government Investment Pool

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Austin, Texas 78701

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**For further information on TexasTERM,
call 1-866-TEX-TERM or visit
www.texasterm.net**

*This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the Pool's investment objectives, risks, charges and expenses before investing. This and other information about the Pool is available in the Pool's Information Statement, which should be read carefully before investing. A copy of the Pool's Information Statement may be obtained by calling 1-866-839-8376 or is available on the Pool's website at www.texasterm.net. While TexasDAILY seeks to maintain a stable net asset value of \$1.00 per share and TexasTERM seeks to achieve a net asset value of \$1.00 per share at its stated maturity, it is possible to lose money investing in the Pool. An investment in the Pool is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Pool are distributed by **PFM Fund Distributors, Inc.**, member Financial Industry Regulatory Authority (FINRA) (www.finra.org) and Securities Investor Protection Corporation (SIPC) (www.sipc.org). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC.*

The TexasTERM Local Government Investment Pool (the “Pool”) Portfolios seek to provide safety, flexibility and competitive yields. As a Participant, you may use the portfolio(s) that best suit your deposit and investment needs.

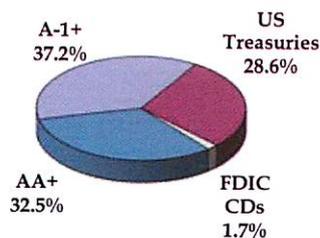
Limited to Permitted Investments

The primary goal of the Pool is the safety and security of the local government funds entrusted to it. TexasTERM portfolio and TexasDAILY portfolio are rated AA Af and AA Am, respectively, by Standard & Poor’s¹ (“S&P”) and are overseen by the TexasTERM Advisory Board. The Pool is designed to comply with all of the Texas statutes, including the Public Funds Investment Act and other regulations for the allowable investment of public funds. Additionally, all securities must further meet the Pool’s own high standards of investment.

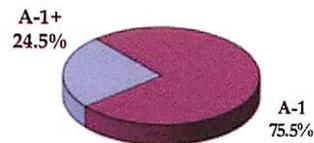
The Pool’s portfolios may contain a combination of:

- Obligations of the U.S. Government or its Agencies or Instrumentalities
- Repurchase Agreements with Primary Dealers
- Certificates of Deposit (CDs) that are FDIC-insured² and fully collateralized according to law
- Money Market Mutual Funds rated AAA or equivalent

Credit Quality of TexasDAILY Portfolio Holdings at December 31, 2013 (unaudited)



Credit Quality of TexasTERM Series Y Purchases from August 15, 2012 through December 31, 2013 (unaudited)



Flexibility

The TexasTERM Local Government Investment Pool offers two (2) distinct investment portfolios. Working together, these portfolios allow you the flexibility to safely maximize yield and liquidity. The TexasTERM portfolio allows participants to obtain a fixed-rate quote in advance. You choose the maturity date that best suits your needs. TexasTERM is available for investments from 60 days to 1 year, with a minimum investment of \$100,000. You choose the settlement and maturity dates to satisfy your investment needs. The TexasDAILY portfolio provides a variable rate with availability of funds on a daily basis.

¹ Standard & Poor’s fund ratings are based on analysis of credit quality, market price exposure and management. According to Standard & Poor’s rating criteria, the AA Am rating signifies excellent safety of invested principal and a superior capacity to maintain a \$1.00 per share net asset value and the AA Af rating signifies that a portfolio’s holdings provide extremely strong protection against losses from credit defaults. However, it should be understood that these ratings are not a “market” rating or a recommendation to buy, hold or sell the securities. For a full description on rating methodology, visit Standard & Poor’s website (<http://www.standardpoors.com/ratings/fund-main/en/us>).

² FDIC insurance coverage up to \$250,000.



Investment Period	One Day Minimum	<ul style="list-style-type: none"> • Minimum 60 Days • Maximum 1 Year
Balance Requirements	No Minimum Balance	\$100,000 Minimum
Additional Deposits	<ul style="list-style-type: none"> • No Minimum • Unlimited Number • Direct Deposit Available 	\$100,000 Minimum
Withdrawals	<ul style="list-style-type: none"> • No Minimum • Unlimited 	At Maturity
Checkwriting	<ul style="list-style-type: none"> • Unlimited, for bond proceeds • No Charge 	N/A
Transactional Charges/Fees	None	None
Accounts	Unlimited	Unlimited
Interest Earnings	<ul style="list-style-type: none"> • Calculated Daily • Paid Monthly 	<ul style="list-style-type: none"> • Fixed Rate of Interest • Paid At Redemption
Statements	<ul style="list-style-type: none"> • Via Internet • Each Transaction • Monthly • Fiscal Year-End • Cumulative (Upon Request) 	<ul style="list-style-type: none"> • Via Internet • Each Purchase Transaction • Monthly

We Value Your Participation

The Advisory Board is committed to managing the Pool in a manner that meets the investment and associated record-keeping and cash management needs of local governments. We are interested in your feedback. For additional information, please call us at (866) TEX-TERM or visit us online at www.texasterm.net.

We are pleased to present the Annual Report for the TexasTERM Local Government Investment Pool (the “Pool”) for the period ended December 31, 2013. Safety of principal and liquidity remain our top priorities when managing the Pool. Despite a low interest-rate environment, the Pool continues to generate relatively competitive yields.

Economic Update

Over the last year, the domestic housing market and the labor market have strengthened considerably, and gross domestic product (“GDP”) expanded at around 4% for the third quarter of 2013, marking its fastest pace in two years. Strength in consumption, improvement in the labor markets, and early signs of rising business investment have led many economists to raise their forecasts for the U.S. economy for 2014 and 2015. U.S. job market conditions have continued to improve, with the unemployment rate moving from 7.9% in December 2012 to 6.7% in December 2013. At the same time, the housing market has recovered. The S&P Case-Shiller index of home prices soared 13.6% year over year in October 2013, marking its largest 12-month gain since February 2006. In the euro zone, the pace of economic activity picked up, with December results from the Markit purchasing managers index (“PMI”) showing the second-largest increase in business activity since June 2011 and the best quarter in two-and-a-half years.

The economy seems to have weathered the impact from federal budget sequestration, although reduced federal spending did have some negative effects in 2013. The recent budget agreement suggests that the headwind from fiscal policy will lessen in 2014. However, the approaching debt ceiling debate could negatively impact sentiment and the economy.

Interest Rates

After months of speculation following Federal Reserve (“Fed”) Chair Bernanke’s announcement in May that the Fed might begin to taper its bond-purchasing activities sometime during 2013, the Federal Open Market Committee (“FOMC”) finally decided to embark on this course during its December 17-18 meeting. The FOMC announced that it would reduce its purchases of Treasuries and mortgage-backed securities (“MBS”) each by \$5 billion a month beginning in January 2014. Throughout 2013, the FOMC bought \$85 billion of these securities each month to keep downward pressure on long-term interest rates. The FOMC announcement left the federal funds target rate unchanged. If the economy continues to show signs of improvement, the expectation is that these quantitative easing measures will wind down by the end of 2014. As a result, interest rates have started to normalize, with the 10-year Treasury yield moving to nearly 3% by year end. The U.S. Senate confirmed Janet Yellen, current vice chair of the Fed, to succeed Ben Bernanke when his term expires at the end of January 2014.

Pool Strategy

The Pool’s investments are limited to those that are high in quality and short in maturity, and both the opportunities and risks presented by the markets are thus limited. We expect interest rates in this segment of the market to be constrained for some time as the Fed keeps the federal funds rate at its current level of 0%-0.25%. In this environment, we

expect to maintain a somewhat longer bias to the weighted average maturity, and seek value in individual securities. Despite the ultra-low rates, we believe that market inefficiencies continue to offer chances to add value through active management. As the year unfolds, we may see signs of a change in Fed policy and our strategy will change if and as this occurs. At all times we will work hard to preserve principal and avoid risk.

We understand that these are challenging times for our investors and we thank you for doing business with us. We especially appreciate those investors that have considered and opened new accounts in the fixed-rate investment options available through the Pool. We look forward to continuing our work as Investment Adviser to the Pool, developing and implementing effective investment strategies to address your financial objectives.

Respectfully,

PFM Asset Management LLC
December 31, 2013

To the Advisory Board of the
TexasTERM Local Government Investment Pool

We have audited the accompanying statements of assets and liabilities of the TexasDAILY portfolio and TexasTERM Series Y portfolio (collectively, the “Portfolios”), including the schedule of investments of the TexasDAILY portfolio, as of December 31, 2013, and TexasDAILY portfolio’s related statements of operations for the year then ended, statements of changes in net assets for each of the two years in the period then ended and financial highlights for each of the five years in the period then ended, and TexasTERM Series Y portfolio’s statement of operations, statement of changes in net assets and financial highlights for the period August 15, 2012 (commencement of operations) through December 31, 2013, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Portfolios’ preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Portfolios’ internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the TexasDAILY portfolio at December 31, 2013, and the results of its operations for the year then ended, changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles, and the financial position of TexasTERM Series Y portfolio at December 31, 2013, and the results of its operations, changes in its net assets and its financial highlights for the period August 15, 2012 (commencement of operations) through December 31, 2013, in conformity with U.S. generally accepted accounting principles applied on the basis described in the paragraph below.

Ernst + Young LLP

Philadelphia, Pennsylvania
April 28, 2014

Schedule of Investments

December 31, 2013

	Face Amount	Value ⁽¹⁾
CERTIFICATES OF DEPOSIT⁽³⁾ (1.72%)		
Affiliated Bank (TX) 0.45% 8/28/14	\$ 248,000	\$ 248,000
American National Bank of Minnesota (MN) 0.35% 4/11/14	248,000	248,000
Avenue Bank (TN) 0.38% 4/8/14	248,000	248,000
Bank Leumi (NY) 0.65% 6/3/14	248,000	248,000
Bank of China (NY) 0.50% 5/28/14	248,000	248,000
Bank of Houston (TX) 0.35% 5/20/14	248,000	248,000
Bank of Montgomery (LA) 0.35% 12/16/14	248,000	248,000
Bank of the Ozarks (AR) 0.35% 1/29/14	248,000	248,000
Bank of the West (CA) 0.35% 1/24/14	248,000	248,000
Bridgewater Bank (MN) 0.50% 11/4/14	248,000	248,000
Business First Bank (LA) 0.40% 6/18/14	248,000	248,000
Capstone Bank (AL) 0.35% 9/9/14	248,000	248,000
Citizens Bank & Trust Co. of Jackson (KY) 0.45% 11/4/14	248,000	248,000
East Boston Savings Bank (MA) 0.45% 11/4/14	248,000	248,000
Elderton State Bank (PA) 0.35% 8/29/14	248,000	248,000
Far East National Bank (CA) 0.38% 1/22/14	248,000	248,000
Farmers Bank & Trust (KS) 0.35% 11/25/14	248,000	248,000
Financial Federal Bank (TN) 0.35% 9/24/14	248,000	248,000
First Capital Bank (TN) 0.60% 12/17/14	248,000	248,000
First Central Bank Mccook (NE) 0.35% 9/16/14	248,000	248,000
First Commons Bank (MA) 0.35% 4/3/14	248,000	248,000
First Guaranty Bank (LA) 0.54% 9/30/14	248,000	248,000
First Mid-Illinois Bank & Trust (IL) 0.50% 10/28/14	248,000	248,000
First State Bank (NE) 0.35% 11/7/14	248,000	248,000
Florida Community Bank (FL) 0.35% 12/16/14	248,000	248,000

The accompanying notes are an integral part of these financial statements.

Schedule of Investments

December 31, 2013

	Face Amount	Value ⁽¹⁾
GBC International Bank (CA) 0.35% 4/3/14	\$ 248,000	\$ 248,000
Granite Community Bank (MN) 0.39% 9/24/14	248,000	248,000
High Plains Bank (OK) 0.40% 12/4/14	248,000	248,000
Interamerican Bank (FL) 0.45% 8/29/14	248,000	248,000
Israel Discount Bank of New York (NY) 0.54% 11/4/14	248,000	248,000
Jefferson Bank of Florida (FL) 0.38% 9/17/14	248,000	248,000
Landmark Community Bank (TN) 0.40% 5/30/14	248,000	248,000
Liberty Bank of Arkansas (AR) 0.36% 2/7/14	248,000	248,000
Mechanics Savings Bank (ME) 0.35% 1/24/14	248,000	248,000
Mercantile Bank (IL) 0.40% 8/29/14	248,000	248,000
Merchants Bank of Indiana (IN) 0.35% 9/26/14	248,000	248,000
New Omni Bank (CA) 0.40% 10/7/14	248,000	248,000
NOA Bank (GA) 0.35% 4/3/14	248,000	248,000
Onewest Bank (CA) 0.69% 11/4/14	248,000	248,000
Oregon Community Bank & Trust (WI) 0.35% 5/20/14	248,000	248,000
Pacific Alliance Bank (CA) 0.45% 10/7/14	248,000	248,000
Pacific Commerce Bank (CA) 0.35% 9/17/14	248,000	248,000
Pacific Enterprise Bank (CA) 0.45% 9/9/14	248,000	248,000
Patriot Bank (OK) 0.35% 4/9/14	248,000	248,000
Pinnacle Bank of South Carolina (SC) 0.35% 9/16/14	248,000	248,000
Plainscapital Bank (TX) 0.45% 9/19/14	248,000	248,000
Premier Business Bank (CA) 0.40% 10/21/14	248,000	248,000
Quantum National Bank (GA) 0.40% 12/4/14	248,000	248,000
Regent Bank (OK) 0.40% 8/28/14	248,000	248,000
Safra National Bank of New York (NY) 0.35% 6/12/14	248,000	248,000

The accompanying notes are an integral part of these financial statements.

Schedule of Investments

December 31, 2013

	Face Amount	Value ⁽¹⁾
Sauk Valley Bank & Trust Company (IL) 0.35% 11/7/14	\$ 248,000	\$ 248,000
Seaside National Bank & Trust (FL) 0.44% 12/4/14	248,000	248,000
Security Bank And Trust Company (TN) 0.45% 8/28/14	248,000	248,000
Security First Bank (CA) 0.35% 12/16/14	248,000	248,000
Stearns Bank (MN) 0.50% 12/16/14	248,000	248,000
Sterling National Bank (NY) 0.35% 5/14/14	248,000	248,000
Summit Bank & Trust (CO) 0.35% 1/29/14	248,000	248,000
TCM Bank (FL) 0.45% 10/21/14	248,000	248,000
Tennessee State Bank (TN) 0.35% 10/7/14	248,000	248,000
Texas Republic Bank (TX) 0.40% 11/4/14	248,000	248,000
The Bank of Versailles (MO) 0.50% 8/28/14	248,000	248,000
The Citizens State Bank of Finley (ND) 0.40% 6/18/14	248,000	248,000
The First (ME) 0.35% 9/24/14	248,000	248,000
The First National Bank of Santa Fe (NM) 0.35% 2/7/14	248,000	248,000
The National Bank of Coxsackie (NY) 0.45% 9/18/14	248,000	248,000
The Shattuck National Bank (OK) 0.35% 12/17/14	248,000	248,000
Tomatobank (CA) 0.35% 5/30/14	248,000	248,000
United Texas Bank (TX) 0.50% 12/19/14	248,000	248,000
Virginia Heritage Bank (VA) 0.40% 11/4/14	248,000	248,000
Western Alliance Bank (AZ) 0.50% 12/19/14	248,000	248,000
<i>Total Certificates of Deposit</i>		17,360,000
U.S. GOVERNMENT & AGENCY OBLIGATIONS (95.17%)		
Fannie Mae Discount Notes 0.11% 1/2/14	29,000,000	28,999,910
Fannie Mae Mortgaged-Backed Security Discount Notes 0.19% 1/2/14	12,000,000	11,999,936
0.20% 1/2/14	25,000,000	24,999,860
0.14% 2/3/14	12,500,000	12,498,396
0.19% 2/3/14	20,000,000	19,996,608

The accompanying notes are an integral part of these financial statements.

Schedule of Investments

December 31, 2013

		Face Amount	Value ⁽¹⁾
Fannie Mae Notes			
0.19%	2/5/14	\$ 2,510,000	\$ 2,516,130
0.19%	3/13/14	3,847,000	3,866,222
0.34% ⁽²⁾	8/11/14	15,000,000	15,022,342
0.38% ⁽²⁾	10/27/14	3,500,000	3,507,281
0.47% ⁽²⁾	11/21/14	21,000,000	21,065,917
Federal Farm Credit Bank Notes			
0.13%	2/18/14	5,250,000	5,285,255
0.10% ⁽²⁾	2/19/14	25,000,000	25,000,000
0.30% ⁽²⁾	3/27/14	1,780,000	1,780,506
0.26% ⁽²⁾	7/14/14	5,000,000	5,003,367
0.16%	7/18/14	6,670,000	6,675,038
0.18% ⁽²⁾	7/21/14	1,700,000	1,700,189
0.25% ⁽²⁾	1/20/15	8,900,000	8,909,011
0.17% ⁽²⁾	1/26/15	10,000,000	10,006,481
0.22% ⁽²⁾	3/4/15	7,500,000	7,508,024
0.22% ⁽²⁾	5/5/15	7,500,000	7,508,180
0.28% ⁽²⁾	8/3/15	20,000,000	20,040,137
0.20% ⁽²⁾	11/4/15	12,000,000	11,998,896
Federal Home Loan Bank Discount Notes			
0.14%	1/8/14	20,000,000	19,999,456
0.10%	1/10/14	40,000,000	39,999,006
0.16%	1/17/14	19,000,000	18,998,691
0.14%	1/21/14	21,000,000	20,998,367
0.08%	2/19/14	45,000,000	44,995,080
0.10%	3/12/14	15,000,000	14,997,229
0.09%	3/21/14	35,000,000	34,993,087
0.10%	3/26/14	25,000,000	24,994,458
0.13%	3/28/14	6,070,000	6,068,115
0.13%	6/4/14	19,000,000	18,989,434
Federal Home Loan Bank Notes			
0.18% ⁽²⁾	1/2/14	7,000,000	7,000,011
0.18%	1/7/14	8,000,000	8,000,004
0.18%	1/29/14	2,175,000	2,175,321
0.10%	2/7/14	10,000,000	10,000,466
0.19%	2/18/14	1,415,000	1,415,105
0.23% ⁽²⁾	2/28/14	10,000,000	10,002,334
0.12%	3/27/14	24,050,000	24,050,282
0.17%	3/28/14	5,000,000	4,999,424
0.15%	4/1/14	3,000,000	3,000,131
0.23% ⁽²⁾	6/4/14	3,000,000	3,000,896
0.15%	7/22/14	15,300,000	15,303,301
0.19%	8/13/14	2,970,000	3,066,666
0.16%	8/14/14	4,600,000	4,598,951
0.17%	9/12/14	4,575,000	4,574,915
0.17%	9/12/14	5,000,000	5,041,736
Federal Home Loan Bank Notes (Callable)			
0.20%	9/15/14	10,000,000	10,000,078
0.22%	9/24/14	6,000,000	6,000,000
0.24%	1/21/15	10,000,000	10,000,000

The accompanying notes are an integral part of these financial statements.

Schedule of Investments

December 31, 2013

	Face Amount	Value ⁽¹⁾
Freddie Mac Discount Notes		
0.11% 1/13/14.....	\$ 10,500,000	\$ 10,499,633
0.15% 2/3/14.....	15,000,000	14,998,007
0.13% 6/9/14.....	10,817,000	10,810,789
Freddie Mac Notes		
0.11% 1/9/14.....	8,280,000	8,280,604
0.19% 2/19/14.....	2,563,000	2,569,799
0.18% 7/30/14.....	12,000,000	12,056,865
U.S. Treasury Notes		
0.08% 1/15/14.....	20,000,000	20,006,993
0.10% 1/15/14.....	102,388,860	102,359,007
0.12% 1/31/14.....	10,000,000	10,013,253
0.08% 1/31/14.....	25,000,000	25,003,447
0.10% 2/18/14.....	25,000,000	25,122,122
0.19% 3/17/14.....	3,500,000	3,507,561
0.13% 3/31/14.....	25,000,000	25,007,298
0.12% 3/31/14.....	60,000,000	60,239,614
Total U.S. Government & Agency Obligations		963,625,222
REPURCHASE AGREEMENTS (3.85%)		
BNP Paribas		
0.01% 1/2/14.....	19,000,000	19,000,000
(Dated 12/31/13, repurchase price \$19,000,011, collateralized by Ginnie Mae certificates, 4.00%, maturing 11/20/2043, market value \$19,380,012)		
Deutsche Bank		
0.02% 1/2/14.....	20,000,000	20,000,000
(Dated 12/31/13, repurchase price \$20,000,022, collateralized by U.S. Treasury certificates, 1.75%, maturing 5/15/2023, market value \$20,400,103)		
Total Repurchase Agreements		39,000,000
TOTAL INVESTMENTS (100.74%)		1,019,985,222
OTHER LIABILITIES IN EXCESS OF OTHER ASSETS (-0.74%)		(7,487,409)
NET ASSETS (100.00%)		\$1,012,497,813
Applicable to 1,012,497,813 outstanding shares of beneficial interest (unlimited authorization – no par value). Equivalent to \$1.00 per share.		

(1) See Note B to the financial statements.

(2) Adjustable rate security. Rate shown is that which was in effect at December 31, 2013.

(3) FDIC insurance coverage up to \$250,000 of principal and accrued interest per issuing bank.

The accompanying notes are an integral part of these financial statements.

Statements of Assets and Liabilities
December 31, 2013

	TexasDAILY	TexasTERM Series Y
ASSETS		
Cash	\$ 335,322	\$ 32,516
Investments	1,019,985,222	-
Interest Receivable	2,295,937	-
<i>Total Assets</i>	<u>1,022,616,481</u>	<u>32,516</u>
LIABILITIES		
Payable for Securities Purchased	10,000,000	-
Management Fees Payable	83,685	16,864
Banking Fees Payable	9,714	1,344
Audit Fees Payable	21,725	14,175
Other Accrued Expenses	3,544	133
<i>Total Liabilities</i>	<u>10,118,668</u>	<u>32,516</u>
NET ASSETS	<u>\$ 1,012,497,813</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Statements of Operations

	TexasDAILY Year Ended December 31, 2013	TexasTERM Series Y August 15, 2012 ⁽¹⁾ through December 31, 2013 ⁽²⁾
INCOME		
Interest Income	\$ 1,429,464	\$ 418,040
Total Income	<u>1,429,464</u>	<u>418,040</u>
EXPENSES		
Management Fees	1,203,370	222,264
Banking Fees	66,099	10,784
Audit Fees	21,725	14,175
Legal Fees	3,226	560
Other Expenses	20,443	7,073
Total Expenses	<u>1,314,863</u>	<u>254,856</u>
Less: Fee Waivers	(455,281)	(96,300)
Expenses Paid Indirectly	(16,571)	-
Net Expenses	<u>843,011</u>	<u>158,556</u>
Net Investment Income	586,453	259,484
Net Realized Gain on Sale of Investments	15,664	32,475
Net Increase in Net Assets Resulting from Operations	<u>\$ 602,117</u>	<u>\$ 291,959</u>

(1) Commencement of operations.

(2) Scheduled termination date.

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets

	Year Ended December 31, 2013	Year Ended December 31, 2012
INCREASE (DECREASE) IN NET ASSETS		
Operations		
Net Investment Income	\$ 586,453	\$ 1,073,213
Net Realized Gain on Sale of Investments	15,664	22,505
<i>Net Increase in Net Assets Resulting from Operations</i> ..	<u>602,117</u>	<u>1,095,718</u>
Distributions		
Net Investment Income	(586,453)	(1,073,213)
Net Realized Gain on Sale of Investments	(15,664)	(22,505)
<i>Total Distributions</i>	<u>(602,117)</u>	<u>(1,095,718)</u>
Capital Share Transactions (at \$1.00 per share)		
Issued	2,097,963,098	2,449,110,335
Redeemed	(2,001,593,993)	(2,550,688,468)
Distributions Reinvested	602,117	1,095,718
<i>Net Increase (Decrease) from Capital Share Transactions</i>	<u>96,971,222</u>	<u>(100,482,415)</u>
<i>Total Increase (Decrease) in Net Assets</i>	<u>96,971,222</u>	<u>(100,482,415)</u>
Net Assets		
Beginning of Year	915,526,591	1,016,009,006
End of Year	<u>\$1,012,497,813</u>	<u>\$ 915,526,591</u>

TEXASTERM SERIES Y

Statement of Changes in Net Assets

	August 15, 2012 ⁽¹⁾ through December 31, 2013 ⁽²⁾
INCREASE (DECREASE) IN NET ASSETS	
Operations	
Net Investment Income	\$ 259,484
Net Realized Gain on Sale of Investments	32,475
<i>Net Increase in Net Assets</i>	<u>291,959</u>
Distributions	
Net Investment Income	(259,484)
Net Realized Gain on Sale of Investments	(32,475)
<i>Total Distributions</i>	<u>(291,959)</u>
Capital Share Transactions	
Shares Issued	273,967,587
Shares Redeemed	<u>(273,967,587)</u>
<i>Net Increase (Decrease)</i>	<u>—</u>
Net Assets	
Beginning of Period	—
End of Period	<u>\$ —</u>

(1) Commencement of operations.

(2) Scheduled termination date.

The accompanying notes are an integral part of these financial statements.

Financial Highlights

For a share outstanding throughout each period

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Net Asset Value, Beginning of Year	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Operations					
Net Investment Income001	.002	.001	.002	.005
Total from Operations001	.002	.001	.002	.005
Distributions					
Net Investment Income	(.001)	(.002)	(.001)	(.002)	(.005)
Total Distributions	(.001)	(.002)	(.001)	(.002)	(.005)
Net Asset Value, End of Year	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
Ratios/Supplemental Data					
Net Assets, End of Year	\$1,012,498	\$915,527	\$1,016,009	\$1,787,935	\$2,079,511
Total Return	0.07%	0.12%	0.10%	0.19%	0.53%
Ratio of Expenses to Average Net Assets Before Fee Waivers and Expenses Paid Indirectly					
	0.15%	0.15%	0.14%	0.13%	0.13%
Ratio of Expenses to Average Net Assets					
	0.10%	0.11%	0.10%	0.12%	0.12%
Ratio of Net Investment Income to Average Net Assets Before Fee Waivers and Expenses Paid Indirectly					
	0.01%	0.07%	0.06%	0.18%	0.50%
Ratio of Net Investment Income to Average Net Assets					
	0.06%	0.11%	0.10%	0.19%	0.51%

TEXASTERM SERIES Y

Financial Highlights

For a share outstanding throughout the period

	August 15, 2012 ⁽¹⁾ through December 31, 2013 ⁽²⁾
Ratio of Expenses to Average Net Assets Before Fee Waivers	0.17% ⁽³⁾
Ratio of Expenses to Average Net Assets After Fee Waivers	0.11% ⁽³⁾
Ratio of Net Investment Income to Average Net Assets Before Fee Waivers	0.11% ⁽³⁾
Ratio of Net Investment Income to Average Net Assets After Fee Waivers	0.17% ⁽³⁾

(1) Commencement of operations.

(2) Scheduled termination date.

(3) Ratios are computed on an annual basis using the period during which shares of TexasTERM Series Y were outstanding. Shares of TexasTERM Series Y were outstanding from August 15, 2012 through December 31, 2013, a period of 504 days.

The accompanying notes are an integral part of these financial statements.

A. Organization

TexasTERM Local Government Investment Pool (the “Pool”) was organized under a common investment contract on September 18, 2000. An elected Advisory Board is responsible for the overall management of the Pool, including formation and implementation of its investment and operating policies. The Pool is a non-taxable investment fund established for local governments under the provisions of the Texas Interlocal Cooperation Act. The Pool offers two investment portfolios including TexasTERM and TexasDAILY (each a “Portfolio” and collectively, the “Portfolios”). TexasTERM began operations on September 25, 2000 and TexasDAILY began operations on March 25, 2002. At December 31, 2013, the TexasTERM Portfolio consisted of two series: Series Y and Series AA. The financial statements of Series Y are included in this Annual Report. The financial statements of Series AA will be presented separately as of its date of termination. All participation in the Pool is voluntary. The Pool has not provided or obtained any legally binding guarantees to support the value of shares.

TexasTERM Series Y terminated operations on December 31, 2013. Shares of TexasTERM Series Y were outstanding from August 15, 2012 through December 31, 2013.

B. Summary of Significant Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates. The following significant accounting policies of the Pool are in conformity with GAAP:

1. Securities are stated at fair value, which is determined by using the amortized cost method. This method involves valuing a portfolio security initially at its original cost and thereafter adjusting for amortization of premium or accretion of discount to maturity. Significant inputs to the amortized cost method include purchase cost of security, premium or discount at the purchase date and time to maturity. It is the Pool’s policy to compare amortized cost and market value of securities periodically throughout the month and as of the last business day of each month. Market value is determined by reference to quoted market prices.
2. Security transactions are accounted for on trade date. Costs used in determining realized gains and losses on the sale of investment securities are those of specific securities sold. Interest income is recorded using the accrual method. Discounts and premiums are accreted and amortized, respectively, to interest income over the lives of the respective securities. The rates shown on the Schedule of Investments are the yield-to-maturity at original cost unless otherwise noted. The dates shown on the Schedule of Investments are the actual maturity dates.
3. Dividends from net investment income, net of realized gains or losses on the sale of investments, are declared daily and are paid monthly for TexasDAILY and at maturity for TexasTERM.
4. An objective of the Pool is to maintain a net asset value of \$1 per share for TexasDAILY, but there can be no assurances that the net asset value will not vary from \$1 per share. Shares are purchased and redeemed at the net asset value per share next determined after receipt of a request.
5. The Portfolios may invest cash in repurchase agreements secured by the U.S. Government and its Agency obligations. Securities pledged as collateral for repurchase agreements are

constructively held by the Portfolio's custodian bank until maturity of the repurchase agreement. The Portfolios also may invest in tri-party repurchase agreements. Securities held as collateral for tri-party repurchase agreements are maintained for the Portfolios in the Pool's account by the broker's custodian bank until maturity of the repurchase agreement. Provisions of the repurchase agreements require that the market value of the collateral, including accrued interest thereon, be monitored daily. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. Repurchase agreements may be terminated at the option of the Pool with seven days notice.

6. The Pool is not subject to federal or state taxes upon the income realized by it. Accordingly, no provision for federal income taxes is required in the financial statements. The Pool has evaluated this tax position to determine whether the tax position is "more likely-than-not" of being sustained by the applicable tax authority. Management has concluded that no provision for federal income tax is required for the Pool's financial statements.
7. The Pool has evaluated subsequent events through April 28, 2014, the date through which procedures were performed to prepare the financial statements for issuance. No events have taken place that meet the definition of a subsequent event that requires disclosure in these financial statements.
8. In January 2013, Accounting Standards Update ("ASU") 2013-01, "*Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*," replaced ASU 2011-11, "*Disclosures about Offsetting Assets and Liabilities*." ASU 2013-01 is effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. ASU 2011-11 was intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. ASU 2013-01 limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement. The disclosure requirements for ASU 2013-01 for the Pool are included within the TexasDAILY Schedule of Investments under the section titled Repurchase Agreements. The total market value of repurchase agreements held by TexasDAILY at December 31, 2013 is \$39,000,000 and they are collateralized by \$39,780,115 of non-cash collateral.
9. In April 2013, the Financial Accounting Standards Board ("FASB") issued ASU 2013-07, "*Liquidation Basis of Accounting*." ASU 2013-07 clarifies when an entity should apply the liquidation basis of accounting. In addition, the guidance provides principles for the recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. ASU 2013-07 is effective for annual periods beginning after December 15, 2013, with early adoption permitted. The Pool early adopted ASU 2013-07 and as a result no longer present the financial statements for the TexasTERM series under liquidation basis of accounting as management has concluded that the liquidation of a TexasTERM series is consistent with the liquidation plan at inception of that TexasTERM Series.

C. Fair Value Measurements

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the Pool discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based

upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Inputs other than quoted prices that are observable for the asset, including quoted prices for similar investments based on interest rates, credit risk and like factors.

Level 3 – Unobservable inputs for the assets, including the Portfolios' own assumption for determining fair value.

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Money market securities are valued using amortized cost, as outlined in Rule 2a-7 under the Investment Company Act of 1940, although the Portfolios are not registered under this act. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by the TexasDAILY portfolio are categorized as Level 2. There were no transfers between levels during the year ended December 31, 2013.

D. Fees and Charges

PFM Asset Management LLC ("PFMAM") is a registered investment adviser under the Investment Advisers Act of 1940. PFMAM provides investment management services to the Portfolios, including investment advisory, distribution, shareholder accounting and certain administrative services. Fees for all management services provided to the TexasTERM portfolio are calculated at an annual rate of 0.15% of the average daily net assets of the portfolio. Fees for all management services provided to the TexasDAILY portfolio are calculated at an annual rate of 0.17% of the average daily net assets of the Portfolio up to \$250 million, 0.13% on the next \$250 million, 0.12% on the next \$500 million, and 0.10% on such assets in excess of \$1 billion. Shares of the Pool's portfolios are distributed by PFM Fund Distributors, Inc., a wholly owned subsidiary of PFMAM. PFM Fund Distributors, Inc. is not compensated by the Pool for these services.

In accordance with this contract, PFMAM is obligated to reimburse each Portfolio for the amount by which annual operating expenses, including investment management services, custodian, legal and audit fees, exceed 0.20% of each portfolio's average daily net assets. During the period August 15, 2012 through December 31, 2013, PFMAM voluntarily waived \$96,300 of the fees to which it was entitled for services provided to the TexasTERM Series Y. In addition, during the year ended December 31, 2013, PFMAM voluntarily waived \$455,281 of the fees they were entitled for services provided to the TexasDAILY portfolio.

The Pool pays expenses incurred by its Advisory Board members, fees for cash management and custodian services, audit fees, rating fees and legal fees. During the year ended December 31, 2013, cash management fees of the TexasDAILY Portfolio were reduced \$16,571 as a result of earnings credits from cash balances.

The Pool has entered into agreements with several of its service providers which provide for indemnification against losses, costs, claims and liabilities arising from the performance of their obligations under such agreements, except for gross negligence or bad faith. The Pool has had no claims or payments pursuant to these or prior agreements, and the Pool's management believes the likelihood of a claim being made is remote.

E. Governmental Accounting Standards (unaudited)

Under Governmental Accounting Standards ("GAS"), state and local governments and other municipal entities are required to disclose credit risk, concentration of credit risk, and interest rate risk for investment portfolios. Although the Pool is not subject to GAS, the following risk disclosures of the TexasDAILY Portfolio as of December 31, 2013 have been provided for the information of the Portfolio's Participants.

Credit Risk

The TexasDAILY Portfolio's investment policy, as outlined in its Information Statement, limits its investments to those which are authorized investments under Chapter 2256 of the Texas Government Code, the Public Funds Investment Act ("PFIA"). As of December 31, 2013, the TexasDAILY Portfolio was comprised of investments which were, in aggregate, rated by Standard and Poor's ("S&P") as noted in the chart that follows:

S&P Rating	Percentage of Portfolio
AA+	32.5%
A-1+	37.2%
Exempt*	28.6%
Not Rated**	1.7%

* Represents investments in U.S. Treasury securities, which are not considered to be exposed to overall credit risk per GAS.

** Represents investments in certificates of deposit insured by the FDIC.

The above ratings of the TexasDAILY Portfolio include the ratings of collateral underlying repurchase agreements in effect for the portfolio at December 31, 2013.

Concentration of Credit Risk

As outlined in its Information Statement, the TexasDAILY Portfolio's investment policy establishes certain restrictions on investments and limitations on portfolio composition. The TexasDAILY Portfolio's investment portfolio at December 31, 2013 included the following issuers which individually represented greater than 5% of the Portfolio's total investment portfolio:

Issuer	Percentage of Portfolio
Federal Home Loan Banks	37.0%
U.S. Treasury	26.6%
Fannie Mae	14.2%
Federal Farm Credit Banks	10.9%
Freddie Mac	5.8%

Interest Rate Risk

The TexasDAILY Portfolio's investment policy limits its exposure to market value fluctuations due to changes in interest rates by (1) requiring that its portfolio maintain a dollar-weighted average maturity of not greater than ninety days; and (2) requiring that any investment securities purchased by the Portfolio have a remaining maturity of 397 days or less at the time of purchase (except for variable rate notes issued by the United States government or its agencies or instrumentalities, which must have remaining maturities of 762 days or less). The weighted average maturity of the TexasDAILY Portfolio at December 31, 2013 was 55 days.

The fair value and weighted average maturity of the types of investments in which the Portfolio was invested at December 31, 2013 are as follows:

Type of Investments	Fair Value	Average Maturity
Cash and Cash Equivalents	\$ 335,322	1 Day
Certificate of Deposits	17,360,000	229 Days
U.S. Government Agency Bonds	312,529,864	76 Days
U.S. Government Agency Discount Notes	379,836,063	44 Days
U.S. Treasury Notes	271,259,295	45 Days
Repurchase Agreements	39,000,000	2 Days
Total	\$ 1,020,320,544	

The weighted-average maturities shown above are calculated based on the stated maturity dates with the following exceptions: (1) floating or variable rate securities are assumed to have an effective maturity of the date upon which the security's interest rate next resets; (2) the effective maturity of callable securities is assumed to be its stated maturity unless the security had been called as of the reporting date, in which case the effective maturity would be assumed to be its called date; and (3) the effective maturity of cash and cash equivalents is assumed to be one day.

*Advisory Board Members
and Officers at December 31, 2013*

Wes Eversole

President and Participant Board Member
*Assistant Superintendent for
Operations & Finance,
Lake Dallas Independent School District*

David M. Landeros*

Secretary and Participant Board Member
*Former Executive Director
for Business Services,
South San Antonio
Independent School District*

Sharon McCoy-Huber*

Treasurer and Participant Board Member
*Financial Services Manager,
San Antonio River Authority*

Art Alfaro

Participant Board Member
*Treasurer,
City of Austin*

Leandro Garcia, CPA

Participant Board Member
*Chief Financial Officer,
Brownsville Public Utilities Board*

Deborah Lauder milk

Participant Board Member
*Investment Officer,
Travis County*

Edward B. Peacock, CPA

Non-Participant Board Member
Owner, Edward B. Peacock, CPA



Service Providers

Investment Advisor, Administrator
& Transfer Agent

PFM Asset Management LLC

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North Front and Market Streets
Harrisburg, PA 17101-2044

221 West 6th Street
Suite 1900
Austin, TX 78701

Custodian

U.S. Bank, N.A.

123 South Broad Street
Philadelphia, PA 19109

Independent Auditors

Ernst & Young LLP

One Commerce Square
2005 Market Street, Suite 700
Philadelphia, PA 19103

Legal Counsel

McCall, Parkhurst & Horton L.L.P.

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Suite 900
Dallas, TX 75201-6587

**Retired from Advisory Board in 2014.*

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