



Padgett Stratemann

October 28, 2014

The Honorable Susan Combs
Comptroller of Public Accounts of the State of Texas
208 East 10th Street, Suite 416
Austin, Texas 78701

Dear Ms. Combs:

We have audited the financial statements of the Texas Local Government Investment Pool Prime (TexPool Prime) as of and for the year ended August 31, 2014, and have issued our report thereon dated October 28, 2014. Professional standards require that we advise you of the following matters relating to our audit.

This report is intended solely for the information and use of the Comptroller of Public Accounts of the State of Texas, management of TexPool Prime, and the State Auditor of Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Padgett, Stratemann + Co., L.L.P.

Certified Public Accountants

AUSTIN

811 BARTON SPRINGS ROAD, SUITE 550
AUSTIN, TEXAS 78704
512 476 0717

HOUSTON

1980 POST OAK BOULEVARD, SUITE 1500
HOUSTON, TEXAS 77056
800 879 4966

SAN ANTONIO

100 N.E. LOOP 410, SUITE 1100
SAN ANTONIO, TEXAS 78216
210 828 6281

TOLL FREE: 800 879 4966
WEB: PADGETT-CPA.COM

Required Communications

Area	Comments
<p data-bbox="201 233 646 331"><i>Our Responsibility Under Auditing Standards Generally Accepted in the United States of America</i></p>	<p data-bbox="776 233 1403 600">As communicated in our arrangement letter dated July 22, 2014, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.</p> <p data-bbox="776 636 1408 1136">Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of TexPool Prime solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p data-bbox="776 1171 1403 1402">We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.</p>
<p data-bbox="201 1440 708 1503"><i>Other Information in Documents Containing Audited Financial Statements</i></p>	<p data-bbox="776 1440 1403 1837">Pursuant to professional standards, our responsibility as auditors for other information in documents containing TexPool Prime's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have applied certain limited procedures to the information which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's</p>

Area	Comments
	<p>responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.</p> <p>Our responsibility also includes communicating to you any information, which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.</p>
<p><i>Planned Scope and Timing of the Audit</i></p>	<p>We conducted our audit consistent with the planned scope and timing we previously communicated to Paul Ballard.</p>
<p><i>Qualitative Aspects of the TexPool Prime's Significant Accounting Practices</i></p>	<p><i>Significant Accounting Policies</i></p> <p>Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by TexPool Prime is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended August 31, 2014. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><i>Significant Accounting Estimates</i></p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.</p>

Area	Comments
	<p>The most sensitive accounting estimate affecting the financial statements is the estimated fair value of investments.</p> <p>Management's estimate is based on information currently available, and the process used to calculate this estimate should be monitored throughout the year. We evaluated the key factors and assumptions used to develop the fair value of investments and determined the estimate is reasonable in relation to the basic financial statements taken as a whole.</p> <p><i>Financial Statement Disclosures</i></p> <p>Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting TexPool Prime's financial statements relates to investments.</p>
<p><i>Significant Difficulties Encountered During the Audit</i></p>	<p>We encountered no significant difficulties in dealing with management relating to the performance of the audit.</p>
<p><i>Uncorrected and Corrected Misstatements</i></p>	<p>For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those we believe are trivial, and communicate them to the appropriate level of management.</p> <p>In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.</p> <p>In connection with our audit of the financial statements, we did not identify any corrected or uncorrected financial statement misstatements.</p>
<p><i>Disagreements With Management</i></p>	<p>For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to TexPool Prime's financial statements or the auditor's report. No such disagreements arose during the course of the audit.</p>

Area	Comments
<i>Representations Requested From Management</i>	We have requested and received certain written representations from management in our standard representation letter dated October 28, 2014.
<i>Management's Consultations With Other Accountants</i>	In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.
<i>Other Significant Findings or Issues</i>	In the normal course of our professional association with TexPool Prime, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting TexPool Prime, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as TexPool Prime's auditors.