



MICHIGAN COOPERATIVE LIQUID ASSETS SECURITIES SYSTEM



# Annual Report

JUNE 30, 2020

AUDITED

(REPORT OF INDEPENDENT AUDITORS WITHIN)

Michigan  
**CLASS**<sup>®</sup>

Michigan CLASS Rated 'AAAm' by S&P Global Ratings

## Chairperson's Letter

To the Participants of Michigan CLASS:

On behalf of the Michigan CLASS Board of Trustees and our administrator and investment advisor, Public Trust Advisors, LLC (Public Trust), I am pleased to present the Michigan CLASS Annual Report for the year ended June 30, 2020.

Historically, the writing of this letter and the annual report provides an opportunity to reflect and reset as we enter the second half of the calendar year; however, this year's letter looks a bit different as we grapple with and collectively rise to meet the unprecedented challenges created by the ongoing COVID-19 pandemic. As always, our primary focus is safety: safety of our Participants, our Participants' assets, and our employees.

### Once in a Lifetime Circumstances

In mid-March, the Federal Reserve cut the Fed Funds rate by 100 bps to a target range of 0.0% – 0.25% and implemented significant quantitative easing measures by increasing its holdings of Treasuries by at least \$500 billion and its holdings of agency mortgage backed securities by at least \$200 billion. The Fed introduced a "funding backstop to facilitate the issuance of term commercial paper." All U.S.-domiciled issuers holding a rating of A-1/P-1 are permitted to participate with a maximum of \$5 billion per issuer. A very similar program was deployed successfully during the Great Recession of 2008. The Fed's rapid deployment of these liquidity facilities, along with the \$2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, helped stabilize the financial markets and cushion the blow as COVID-19 plunged the U.S. economy into recession.

In the face of uncertainty, Michigan CLASS executed our business continuity plan, allowing us to successfully utilize our cloud-based work capabilities with no interruptions to continued, normal business operations and processing. We proactively cancelled events and moved in-person meetings to a virtual setting including hosting virtual board meetings. Additionally, the Michigan CLASS portfolio management and credit research teams have been monitoring the potential impact of COVID-19 since late last year. We prepared for the volatility by focusing on highly liquid market segments, investing in only the strongest counterparties, and maintaining liquidity to meet Participant needs.

While this year certainly presented new challenges, the investment and operations teams at Public Trust continue to rely on their extensive knowledge of the cash flow cycles for the various participating entity types to allow for customized and flexible portfolios that maximize yields without compromising Participant access to daily liquidity. In June of 2020, Michigan CLASS achieved an all-time high in assets under management, surpassing \$2.645 billion. With average daily yields of 1.63%, the Michigan CLASS portfolio accumulated \$36.4 million in net interest earnings for Participants in 2020.

Turning our focus toward the remainder of 2020, we continue our due diligence to improve the Participant experience wherever possible even in the face of such unprecedented circumstances. With that in mind, Michigan CLASS is pleased to announce an enhanced online transaction portal coming this fall; the new portal will have a fresh look and feel as well as robust reporting capabilities and further enhanced security. Keep an eye out for more information in the coming months!

As your Chairman, it is a pleasure and an honor to represent the Michigan CLASS Board of Trustees. The Board is devoted to providing our Participants with transparent oversight, meeting regularly to monitor the funds and operations on your behalf. Each year reminds us that the Michigan CLASS Participants are in fact our greatest asset.

Respectfully,



Edward J. Sell Jr  
Chairman, Michigan CLASS Board of Trustees

## Independent Auditors' Report



CliftonLarsonAllen LLP  
CLAconnect.com

### INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Michigan Cooperative Liquid Assets Securities System  
C/O Public Trust Advisors  
Denver, Colorado

We have audited the accompanying financial statements of Michigan Cooperative Liquid Assets Securities System (Michigan CLASS), which comprise the statement of net assets as of June 30, 2020, the statement of operations for the year then ended, the related statements of changes in net assets for the years ended June 30, 2020 and 2019, 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 entity's 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 entity's 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 referred to above present fairly, in all material respects, the financial position of Michigan CLASS as of June 30, 2020, the results of its operations for the year then ended, and the changes in its net assets for the years ended June 30, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Chairperson's letter, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP

Denver, Colorado  
September 18, 2020



# STATEMENT OF NET ASSETS – JUNE 30, 2020

## INVESTMENTS, AT FAIR VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Fair Value
<b>Repurchase Agreements (1%)*</b>					
Royal Bank of Canada NY Tri-Party Repo (1%)* (Collateralized by U.S. Government Agency Securities with coupon rates between 2.50% and 7.50% and maturing between 05/20/2027 and 06/01/2051.) Market Value Plus Accrued Interest: \$17,586,087	\$17,241,261	0.07%	07/01/20	0.07%	\$17,241,261
Cost of (\$17,241,261)					17,241,261
<b>Money Market Funds (13%)*</b>					
Fidelity Investments Money Mkt Govt Portfolio	60,047,841			0.09	60,047,841
RBC US Government	77,901,701			0.11	77,901,701
State Street US Government Money Market	98,854,920			0.12	98,854,920
Wells Fargo Government Money Market Fund	46,029,945			0.11	46,029,945
Wells Fargo Treasury Plus Money Market	32,434,852			0.05	32,434,852
Cost of (\$315,269,259)					315,269,259
<b>U.S. Government Treasury &amp; Agency Securities (2%)*</b>					
Treasury Bill	25,000,000	Disc**	10/20/20	0.16	24,988,645
Treasury Bill	25,000,000	Disc**	11/03/20	0.18	24,987,225
Cost of (\$49,972,500)					49,975,870
<b>Certificates of Deposit (5%)*</b>					
First Federal Bank of the Midwest	25,012,212	0.35	07/01/20	0.35	25,012,212
First Merchants Bank	30,012,329	0.30	07/01/20	0.30	30,012,329
State Bank	25,010,259	0.30	07/01/20	0.30	25,010,259
Waterford Bank	50,023,017	0.30	07/01/20	0.30	50,023,017
Cost of (\$130,057,817)					130,057,817
<b>Commercial Paper (79%)*</b>					
Anglesea Funding LLC	15,000,000	0.44 - Var.	07/01/20	0.44	14,998,500
Credit Suisse New York	25,000,000	Disc**	07/01/20	1.93	24,999,945
BPCE SA	25,000,000	Disc**	07/02/20	1.93	24,999,875
MUFG Bank Ltd. New York	25,000,000	Disc**	07/06/20	1.89	24,999,543
Atlantic Asset Securitization LLC	25,000,000	0.38 - Var.	07/07/20	0.38	25,000,000
Svenska Handelsbanken AB	25,000,000	0.33 - Var.	07/09/20	0.33	25,000,000
Exxon Mobil Corp.	25,000,000	Disc**	07/14/20	1.57	24,984,930
Svenska Handelsbanken AB	23,700,000	Disc**	07/17/20	1.75	23,698,881
Svenska Handelsbanken AB	25,000,000	Disc**	07/21/20	1.74	24,998,980
LMA Americas LLC	14,500,000	Disc**	08/03/20	1.72	14,476,857
KfW	25,000,000	Disc**	08/04/20	1.71	24,998,055
Sumitomo Mitsui Banking	25,000,000	Disc**	08/04/20	0.27	24,996,110
Australia & New Zealand Intl.	25,000,000	Disc**	08/06/20	0.27	24,997,945

\* Denotes percentage of net assets    \*\* Denotes securities purchased at a discount from par  
The accompanying notes are an integral part of these financial statements

# STATEMENT OF NET ASSETS – JUNE 30, 2020

## INVESTMENTS, AT FAIR VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Fair Value
DBS Bank Ltd.	\$18,000,000	Disc**	08/06/20	1.69%	\$17,969,290
Toronto Dominion Bank	25,000,000	0.26 - Var.	08/06/20	0.26	24,997,500
Erste Abwicklungsanstalt	25,000,000	Disc**	08/07/20	0.38	24,997,890
KfW	25,000,000	Disc**	08/07/20	1.68	24,997,890
National Australia Bank Ltd.	25,000,000	0.33 - Var.	08/10/20	0.33	25,000,000
Ridgefield Funding Co. LLC	25,000,000	0.26 - Var.	08/14/20	0.26	24,997,500
KfW	25,000,000	Disc**	08/17/20	1.64	24,997,000
KfW	20,000,000	Disc**	08/18/20	1.65	19,955,900
Banque et Caisse Epargne	25,000,000	Disc**	08/20/20	1.65	24,996,813
BNG Bank NV	25,000,000	Disc**	08/21/20	1.75	24,996,750
Mitsubishi UFJ Trust & Banking Corp. Singapore	25,000,000	Disc**	08/24/20	0.30	24,993,125
Old Line Funding LLC	25,000,000	0.30 - Var.	08/24/20	0.30	25,000,000
Caisse des Depot et Consignations	25,000,000	Disc**	08/25/20	0.38	24,985,610
Caisse des Depot et Consignations	25,000,000	Disc**	08/26/20	0.45	24,982,583
Dexia Credit Local SA New York	25,000,000	Disc**	08/26/20	0.56	24,996,043
Bedford Row Funding Corp.	25,000,000	0.30 - Var.	08/27/20	0.30	24,997,500
Nederlandse Waterschaps	25,000,000	Disc**	08/27/20	0.32	24,987,110
Collateralized Commercial Paper Co.	20,000,000	0.30 - Var.	08/28/20	0.30	19,998,000
Erste Abwicklungsanstalt	25,000,000	Disc**	08/28/20	0.32	24,986,890
Banque et Caisse Epargne	20,000,000	Disc**	09/01/20	1.07	19,996,500
Erste Abwicklungsanstalt	25,000,000	Disc**	09/01/20	0.37	24,984,250
Nederlandse Waterschaps	20,000,000	Disc**	09/01/20	0.25	19,991,250
Old Line Funding LLC	25,000,000	0.23 - Var.	09/01/20	0.23	25,000,000
Kells Funding LLC	25,000,000	Disc**	09/03/20	0.27	24,988,715
PSP Capital Inc.	20,000,000	Disc**	09/04/20	0.99	19,996,334
NRW. Bank	25,000,000	Disc**	09/08/20	1.17	24,994,653
Dexia Credit Local SA New York	25,000,000	Disc**	09/14/20	0.56	24,994,195
Dexia Credit Local SA New York	25,000,000	Disc**	09/21/20	0.54	24,993,083
Toronto Dominion Bank	25,000,000	0.50 - Var.	09/30/20	0.50	25,060,750
BNP Paribas	25,000,000	0.39 - Var.	10/01/20	0.39	25,000,000
Citigroup Global Markets	25,000,000	Disc**	10/05/20	1.82	24,986,528
Nederlandse Waterschaps	25,000,000	Disc**	10/05/20	0.31	24,979,455
Kells Funding LLC	25,000,000	Disc**	10/13/20	0.25	24,981,770
Kells Funding LLC	25,000,000	Disc**	10/14/20	0.27	24,980,125
Banque et Caisse Epargne	25,000,000	Disc**	10/15/20	0.57	24,988,855
Caisse des Depot et Consignations	25,000,000	Disc**	10/16/20	0.30	24,988,750
DNB Bank ASA	25,000,000	Disc**	10/19/20	0.64	24,988,438
Toronto Dominion Bank	25,000,000	Disc**	10/19/20	0.27	24,988,438
Caisse des Depot et Consignations	25,000,000	Disc**	10/21/20	0.27	24,988,230
Citigroup Global Markets	25,000,000	Disc**	10/22/20	1.69	24,982,583
Collateralized Commercial Paper Co.	25,000,000	0.34 - Var.	10/23/20	0.34	24,997,500
Dexia Credit Local SA New York	25,000,000	Disc**	10/28/20	0.58	24,952,500
Kells Funding LLC	25,000,000	Disc**	10/30/20	0.27	24,978,820
Banque et Caisse Epargne	15,000,000	Disc**	11/02/20	0.46	14,991,666
CDP Financial Inc.	25,000,000	Disc**	11/03/20	0.33	24,972,000
BNP Paribas	25,000,000	0.32 - Var.	11/09/20	0.32	24,997,500
Erste Abwicklungsanstalt	25,000,000	0.28 - Var.	11/09/20	0.28	25,000,000
Ontario Teachers' Finance Trust	25,000,000	Disc**	11/16/20	0.31	24,982,625

\* Denotes percentage of net assets    \*\* Denotes securities purchased at a discount from par  
The accompanying notes are an integral part of these financial statements

# STATEMENT OF NET ASSETS – JUNE 30, 2020

## INVESTMENTS, AT FAIR VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Fair Value
Mizuho Bank Ltd. New York	\$25,000,000	Disc**	11/18/20	0.37%	\$24,975,520
National Australia Bank Ltd.	25,000,000	0.28 - Var.	11/19/20	0.28	24,997,500
Toyota Motor Credit Corp.	25,000,000	0.29 - Var.	11/19/20	0.29	24,997,500
BPCE SA	25,000,000	Disc**	11/20/20	0.36	24,975,173
MUFG Bank Ltd. New York	25,000,000	Disc**	11/20/20	0.40	24,975,173
BNP Paribas New York	25,000,000	Disc**	11/24/20	0.32	24,974,480
National Australia Bank Ltd.	25,000,000	0.26 - Var.	11/24/20	0.26	24,997,500
JP Morgan Securities	25,000,000	0.29 - Var.	11/25/20	0.29	25,000,000
BPCE SA	27,850,000	Disc**	12/01/20	0.36	27,819,025
Commonwealth Bank of Australia	25,000,000	0.24 - Var.	12/02/20	0.42	24,997,500
Ridgefield Funding Co. LLC	25,000,000	0.33 - Var.	12/07/20	0.33	25,000,000
DBS Bank Ltd.	25,000,000	Disc**	12/09/20	0.28	24,977,500
Atlantic Asset Securitization LLC	25,000,000	Disc**	12/16/20	0.35	24,961,270
DBS Bank Ltd.	25,000,000	Disc**	12/17/20	0.31	24,975,208
Sumitomo Mitsui Banking	25,000,000	Disc**	12/21/20	0.35	24,958,313
DBS Bank Ltd.	25,000,000	Disc**	01/25/21	0.33	24,965,168
PSP Capital Inc.	25,000,000	0.50 - Var.	01/26/21	0.50	24,997,500
Cost of (\$1,887,372,350)					<u>1,888,252,858</u>
<b>Total Investments in Securities</b>					
Cost of (\$2,399,913,187)					<u>2,400,797,065</u>
<b>Other Assets</b>					
Accrued Interest Receivable					<u>73,477</u>
Total Assets					<u>\$2,400,870,542</u>
<b>Less Liabilities</b>					
Administration and Investment Advisory Fees					<u>271,659</u>
Total Liabilities					<u>271,659</u>
Net Assets					<u>\$2,400,598,883</u>
<b>Components of Capital</b>					
Capital (Par Value)					<u>\$2,399,715,005</u>
Unrealized Appreciation on Investments					<u>883,878</u>
Net Assets					<u>\$2,400,598,883</u>
Outstanding Participant Shares					<u>2,399,715,005</u>
<b>Net Asset Value per Share</b>					<u>\$1.00</u>

\* Denotes percentage of net assets    \*\* Denotes securities purchased at a discount from par  
The accompanying notes are an integral part of these financial statements

## STATEMENT OF OPERATIONS

(Year Ended June 30, 2020)

Investment Income	\$39,407,450
Expenses:	
Administration and Investment Advisory Fees	<u>2,952,551</u>
Net Investment Income	<u>36,454,899</u>
Net Gain on Investments	\$9,245
Net Change in Unrealized Appreciation on Investments	<u>728,458</u>
Net Realized Gain and Unrealized Gain on Investments	<u>737,703</u>
Net Increase in Net Assets Resulting from Operations	<u>\$37,192,602</u>

## STATEMENTS OF CHANGES IN NET ASSETS

(Years Ended June 30, 2020 and June 30, 2019)

	2020	2019
From Investment Activities:		
Net Investment Income	\$36,454,899	\$43,553,350
Net Change in Unrealized Appreciation/(Depreciation) on Investments	728,458	(99,166)
Realized Gain on Investments	<u>9,245</u>	<u>26,532</u>
Net Increase in Net Assets Resulting from Operations	<u>37,192,602</u>	<u>43,480,716</u>
Distributions to Participants from Net Investment Income	(36,454,899)	(43,553,350)
Distributions to Participants from Net Realized Gain	(9,245)	(26,532)
Net Increase in Net Assets from Share Transactions	<u>584,830,326</u>	<u>302,048,306</u>
Net Increase in Net Assets	<u>585,558,784</u>	<u>301,949,140</u>
Net Assets:		
Beginning of Period	<u>1,815,040,099</u>	<u>1,513,090,959</u>
End of Period	<u>\$2,400,598,883</u>	<u>\$1,815,040,099</u>

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

## Notes to Financial Statements — June 30, 2020

### Note 1. Description of Michigan CLASS and Significant Accounting Policies

Michigan Cooperative Liquid Assets Securities System ("Michigan CLASS") is a Participant controlled trust created in accordance with Section 5 of Act 7 of the Urban Cooperation Act of 1967 and the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150 and was established for participating Michigan municipalities on October 1, 1991 under the participation agreement (the "Participation Agreement") and commenced operations on January 17, 1992. Michigan CLASS is available for investment by any county, city, village, township, school district, authority or any other political subdivision organized under the laws of the state of Michigan. The purpose of Michigan CLASS is to enable such entities to cooperate in the investment of their available funds. Michigan CLASS operates like a money market mutual fund with each share valued at \$1.00.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following significant accounting policies are also in conformity with accounting principles generally accepted in the United States of America for investment companies. Such policies are consistently followed by Michigan CLASS in the preparation of the financial statements.

Michigan CLASS is rated AAAM by Standard and Poor's.

#### Securities Valuation

Securities, other than repurchase agreements, are valued at the most recent market bid price as obtained from one or more market makers for such securities. Repurchase agreements are recorded at cost, which approximates market value.

#### Securities Transactions and Investment Income

Securities transactions are accounted for on a trade date basis. Realized gains and losses from securities transactions are recorded on a specific identification basis. Interest income is recognized on the accrual basis and includes amortization of premiums and accretion of discounts. The amortization of premium and accretion of discount accrual method utilized is straight line and it is deemed that there is no significant difference compared to the effective interest method.

#### Derivative Instruments

Michigan CLASS's investment policies do not allow for investments in derivatives and, for the period ended June 30, 2020, Michigan CLASS held no financial instruments which meet the definition of a derivative according to Financial Accounting Standards Board ("FASB") Accounting Standards Topic (ASC) 815 "Derivative Instruments and Hedging Activities".

#### Dividends to Participants

Distributions from net investment income are declared and paid daily. Michigan CLASS's policy is to distribute net realized capital gains, if any, in a reasonable time frame after the gain is realized.

#### Income Taxes

Michigan CLASS is not subject to federal, state or local income taxes, and accordingly no tax provision has been made.

Michigan CLASS files tax returns annually. Michigan CLASS is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. Michigan CLASS's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

### Note 2. Fair Value Measurements

In accordance with FASB guidance, the Michigan CLASS utilizes ASC 820 "Fair Value Measurement and Disclosure" to define fair value, establish a framework for measuring fair value, and expand disclosure requirements regarding fair value measurements. ASC 820 does not require new fair value measurements, but is applied to the extent that other accounting pronouncements require or permit fair value measurements. The standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. Various inputs are used in determining the value of the Michigan CLASS portfolio investments defined pursuant to this standard.

These inputs are summarized into three broad levels:

- Level 1 – Quoted prices in active markets for identical securities.
- Level 2 – Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others. Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and are generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S government agency securities, corporate securities and commercial paper.
- Level 3 – Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs are inputs that reflect the reporting entities own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

There have been no significant changes in valuation techniques used in valuing any such positions held by Michigan CLASS since the beginning of the fiscal year. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of June 30, 2020 to value Michigan CLASS's investments in securities and other financial instruments is included in the "Valuation Inputs Summary" and "Level 3 Valuation Reconciliation of Assets" (if applicable) as noted below.

### Valuation Inputs Summary (for the fiscal period ended June 30, 2020)

Investments in Securities at Value*	Valuation Inputs			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 130,057,817	\$ -	\$ 130,057,817
Commercial Paper	-	1,888,252,858	-	1,888,252,858
Money Market Fund	315,269,259	-	-	315,269,259
Repurchase Agreements	-	17,241,261	-	17,241,261
US Treasury Securities	-	49,975,870	-	49,975,870
Total	\$315,269,259	\$2,085,527,806	\$ -	\$2,400,797,065

\* For the year ended June 30, 2020 the Michigan CLASS Portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value is not applicable.

### Note 3. Deposits and Investments

#### Custodian

Wells Fargo Bank, N.A. serves as the custodian for Michigan CLASS portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Michigan CLASS's investment portfolio and provides services as the depository in connection with direct investment and withdrawals. The custodian's internal records segregate investments owned by Michigan CLASS.

#### Risk Disclosure

The portfolio is subject to the following risks:

- Counterparty Risk – Counterparty risk is the risk that the counterparty or a third party will not fulfill its obligation to Michigan CLASS.
- Interest Rate Risk – Interest rate risk is the risk that the value of fixed-income securities will generally decline as prevailing interest rates rise, which may cause Michigan CLASS's net asset value (NAV) to likewise decrease, and vice versa.
- Market Risk – Market risk is the daily potential for an investor to experience losses from fluctuations in securities prices. Market risk cannot be diversified away.
- Credit Risk – Credit Risk is the risk an issuer will be unable to make principal and interest payments when due, or will default on its obligations.

Michigan CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques. Michigan CLASS limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. Michigan CLASS's policy is to limit its exposure to any non-government issuer to 5% of net assets.

## Investment in Securities

Michigan statutes specify investments meeting defined rating and risk criteria in which local government investment pools may invest as noted in Investment of Surplus Funds of Political Subdivisions Act 20 of 1943. The Board of Trustees has further limited investment instruments for the Michigan CLASS portfolio. Michigan CLASS may invest in:

- (a) U.S. Treasury Bonds, Bills, Notes and Treasury Strips.
- (b) Obligations of an agency or instrumentality of the United States.
- (c) Commercial paper rated at the time of purchase within the highest two classifications established by not less than two standard rating services (i.e., as of September 18, 2009, A-1+ and A-1 by Standard & Poor's Ratings Service, P-1 by Moody's Investors Service, or F1+ and F1 by Fitch, Inc.) and that matures not more than 270 days after the date of purchase.
- (d) Bankers' acceptances issued by FDIC member United States banks.
- (e) Repurchase agreements consisting of instruments listed in subdivision (a or b). Repurchase agreements shall be 102% collateralized with Public Securities Association (PSA) Master Repurchase agreement on file and or tri-party custody agreement on file
- (f) Certificates of deposit issued by and deposit accounts of a financial institution eligible under law to be a depository of Participant public agencies of government so long as such articles of deposit and/ or deposit accounts are secured 102% at the value of each by eligible collateral.
- (g) In addition to the investments authorized in subsection (f), certificates of deposit issued in accordance with all of the following conditions:
  - a. The funds are initially invested through a financial institution that is not ineligible to be a depository of surplus funds belonging to the state of Michigan under section 6 of 1855 PA 105, MCL 21.146.
  - b. The financial institution arranges for the investment of the funds in certificates of deposit in 1 or more insured depository institutions, as defined in 12 USC 1813, or 1 or more insured credit unions, as defined in 12 USC 1752, for the account of Michigan CLASS.
  - c. The full amount of the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States.
  - d. The financial institution acts as custodian for Michigan CLASS with respect to each certificate of deposit.
  - e. At the same time that the funds of Michigan CLASS are deposited and the certificate or certificates of deposit are issued, the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially invested by the Michigan CLASS through the financial institution.
- (h) In addition to the investments authorized in subsection (f), deposit accounts that meet all of the following conditions:
  - a. The funds are initially deposited in a financial institution that is not ineligible to be a depository of surplus funds belonging to the State of Michigan under section 6 of 1855 PA105, MCL 21.146.
  - b. The financial institution arranges for the deposit of the funds in deposit accounts in 1 or more insured depository institutions, as defined in 12 USC 1813, or 1 or more insured credit unions, as defined in 12 USC 1752, for the account of Michigan CLASS.
  - c. The full amount of the principal and any accrued interest of each deposit account is insured by an agency of the United States.
  - d. The financial institution acts as custodian for Michigan CLASS with respect to each deposit account.
  - e. On the same date that the funds of Michigan CLASS are deposited, the financial institution receives an amount of deposits from customers of other insured depository institutions or insured credit unions equal to or greater than the amount of the funds initially deposited by Michigan CLASS in the financial institution.
- (i) Mutual funds registered under the investment company act of 1940, maintaining a \$1.00 per share net asset value, and with authority to purchase investment vehicles that are legal for direct investment by all participant public agencies whose monies are invested in mutual funds that such participants acknowledge that the funds be placed in a special sub account created pursuant to the Participation Agreement, as amended.
- (j) Any other investment permissible to all Participants individually under Michigan Law and authorized by the board.

Investments may be categorized as follows: (1) insured or registered or for which the securities are held by Michigan CLASS or the custodian bank in Michigan CLASS's name (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the Michigan CLASS's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer or by its trust department or agent but not in Michigan CLASS's name.

All investments fall under the categorization of (3) as mentioned in the preceding paragraph.

## Note 4. Repurchase Agreements

Funds are released from Michigan CLASS's portfolio for repurchase agreements only when collateral has been wired to the custodian bank, and for the period ended June 30, 2020, Michigan CLASS held no uncollateralized repurchase agreements. The custodian bank reports the market value of the collateral securities to Michigan CLASS at least on a weekly basis. If the seller of the agreement defaults and the value of the collateral declines, the immediate realization of the full amount of the agreement by Michigan CLASS may be limited. Michigan CLASS may use Bank of America N.A., Bank of Montreal, BofA Securities Inc., Citigroup Global Markets, Credit Agricole CIB NY, Goldman Sachs & Co, JP Morgan Securities LLC, Royal Bank of Canada NY, UBS Securities LLC and Wells Fargo Bank NA as a safekeeping agent for repurchase agreements. Interest earned on repurchase agreements as a percentage of total interest earned was 7% for the year ended June 30, 2020.

## Note 5. Administration and Investment Advisory Fees

Investment advisory services and administration and marketing services are provided by Public Trust Advisors, LLC ("PTA"). Michigan CLASS's fees are calculated daily and paid monthly. The Daily Fee shall be calculated as follows: The Investment Property Value is multiplied by the Applicable Fee Rate and is divided by 365 or 366 days in the event of a leap year to equal the Daily Fee accrual. The Investment Property Value shall be based on the current day's shares outstanding. For weekend days and holidays, the shares outstanding for the previous business day will be utilized for the calculation of fees. The Applicable Fee Rate shall be determined monthly on the first business day of each month and shall be at an annual rate equal to thirteen (13 basis points.) The Board of Trustees shall, within five business days after the end of such month, approve the Fees. Fees may be waived or abated at any time, or from time to time, at the sole discretion of PTA. Any such waived fees may be restored by the written agreement of the Board of Trustees in its sole discretion. The fees are collected by PTA and used to pay all expenses related to Michigan CLASS.

## Note 6. Share Transactions

Transactions in shares during the twelve months ended June 30, 2020 and 2019 for the Michigan CLASS portfolio were as follows:

	2020	2019
Shares sold	5,832,130,137	4,975,599,492
Shares issued on reinvestment of distributions	36,455,449	43,553,835
Shares redeemed	(5,283,755,260)	(4,717,105,021)
Net increase	584,830,326	302,048,306

At June 30, 2020, three participants held more than a 5% participation interest in CLASS. The holdings of these participants is approximately 22% of the portfolio at June 30, 2020. Investment activities of this participant could have a material impact on CLASS

## Note 7. Financial Highlights for a Share Outstanding Throughout Each Period

	Michigan CLASS Years Ended				
	2020	2019	2018	2017	2016
Per Share Data					
Net Asset Value - Beginning of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Net Investment Income Earned and Distributed to Shareholders	\$0.003	\$0.024	\$0.015	\$0.009	\$0.003
Net Asset Value - End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
TOTAL RETURN	1.649%	2.419%	1.508%	0.834%	0.314%
RATIOS					
Net Assets-End of period (\$000 Omitted)	\$2,400,599	\$1,815,040	\$1,513,091	\$841,049	\$472,361
Ratio of Expenses to Average Net Assets Gross	0.130%	0.130%	0.130%	0.130%	0.130%
Ratio of Expenses to Average Net Assets Waived	0.000%	0.000%	0.000%	0.000%	0.000%
Ratio of Expenses to Average Net Assets	0.130%	0.130%	0.130%	0.130%	0.130%
Ratio of Net Investment Income to Average Net Assets	1.605%	2.392%	1.529%	0.851%	0.340%

## Note 8. Subsequent Events

In accordance with the provisions set forth in ASC 855-10, Subsequent Events, Management has evaluated the possibility of subsequent events existing in the Michigan CLASS's financial statements. Management has determined that there were no material events that would require disclosure in the Michigan CLASS's financial statements as of September 18, 2020, which is the date the financial statements were available to be issued.

## Note 9. Related Parties

All trustees of Michigan CLASS are officers of participating governments.

## BOARD OF TRUSTEES

Jeffrey Anderson

Finance Director/Deputy Treasurer, Delta Charter Township

Edward Bradford

Chief Financial Officer, City of Manistee

Jeffrey Budd, CPA

Utility Director, Coldwater Board of Public Utilities

Karen Coffman

Treasurer, Jackson County

Kelly Corbett, CPA, CFO

Director of Business and Finance, St. Johns Public Schools

Susan Daugherty, CPFA, CPFIM

Treasurer, Green Oak Charter Township

Glenna MacDonald, CPA, CFO

Director of Finance, Howell Public Schools

Bruce Malinczak, CPFA

Assistant Treasurer, Canton Charter Township

Holly Moon

Treasurer, Newaygo County

Julie Omer

Business Manager/CFO, Owosso Public Schools

Edward J. Sell Jr., CPA

Finance Director, City of Monroe

Joseph Snyder

Chief Financial Officer, City of Rochester Hills

Scott Taylor, CPA, CTP

Manager, Accounting & Finance, Lansing Board of Water and Light