



MICHIGAN COOPERATIVE LIQUID ASSETS SECURITIES SYSTEM



# Annual Report

JUNE 30, 2021

AUDITED

(REPORT OF INDEPENDENT AUDITORS WITHIN)

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

S&P Global Ratings in no way guarantee favorable performance results and should not be construed as safety in an investment.

Michigan  
**CLASS**<sup>®</sup>

## 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, 2021.

First and foremost, I want to extend my gratitude to the valued Michigan CLASS Participants for their loyalty and perseverance over the last eighteen months; your continued participation and trust in us have made this challenging time a little less so. Even in times of great uncertainty, I am proud that Michigan CLASS remains a reliable, safe, and trustworthy investment tool, providing comfort and clarity to local governments around the state. We are proud to offer services you can trust so that you can focus on the important tasks of your role and helping your great communities.

If 2020 reminded us of anything, it is just how much a year can change things! When I think back to the beginning of this new decade, the Federal Funds Target range sat at 1.50% - 1.75% but that would quickly change just months later. In March, the Federal Reserve cut its target rate by 1.75%, effectively bringing the overnight lending rates to zero. In addition, the Federal Reserve dramatically expanded their balance sheet through asset purchases that provided liquidity to the markets and stabilized financial conditions. Treasury yields and credit spreads rapidly followed suit, with historically low interest rates and tight credit spreads setting in throughout the remainder of the year. The Federal Reserve will likely remain committed to this highly accommodative policy until the economy reaches full employment and inflation moderately exceeds two percent for some time. The market anticipates the first rate hike from the Federal Reserve to occur sometime around the end of 2022.

In 2020, the U.S. economy contracted by roughly two percent with the COVID-19 pandemic dramatically impacting overall consumption and disrupting the labor market. Public health orders shut down many sectors of the economy, hitting the hospitality industry particularly hard. For all of 2020, over nine million jobs were lost with the unemployment rate sitting at 6.7% by year end. Over \$3 trillion of stimulus was passed by Congress assisting families, small businesses, and health care providers as the economy ground to a halt in order to restrict the spread of the virus. Through continued vaccine distribution and relaxed lockdown guidelines, the economy has begun to regain its footing so far in 2021.

Through all economic cycles and market conditions, the safety of your investments under our management is our top priority. In the face of economic and societal uncertainty at the beginning of last year, we made swift decisions to prepare for volatility by reviewing our overall credit holdings, moving further into highly liquid market segments, evaluating the strength of our counterparties, and maintaining sufficient liquidity to be certain we met Participant needs.

Even through difficult circumstances, Michigan CLASS will always adapt and rise to any challenge for the benefit of the Michigan CLASS Participants. While operating remotely for the majority of the last year and a half, the Michigan CLASS staff showed their flexibility and commitment to the Participants. In the second half of 2020, Michigan CLASS proudly released an upgraded transaction portal with a refreshed look and enhanced capabilities. As of this letter, more than 860 individuals have successfully logged into the new portal and have conducted more than 6,600 transactions!

As Michigan CLASS celebrates thirty years of operations, the investment and operations teams at Public Trust have a well-developed understanding of the cash flow cycles related to the various participating entity types. This knowledge allows the teams to customize the portfolios to maximize yields without compromising Participant access to daily liquidity. In fiscal year 2021, Michigan CLASS Participants requested 3,600 withdrawals totaling more than \$4.9 billion. Even with historically low interest rates, Michigan CLASS was able to provide a grand total of more than \$2.6 million in interest earnings for Participants during the year!

Finally, I want to extend our sincere gratitude to three individuals whose names have become synonymous with Michigan CLASS; Board Members Holly Moon and Glenna MacDonald as well as long-time Representative Rich Garay all retired last year after countless years of dedication and service to the Michigan CLASS program. In many ways, all three were integral to the success of the program and their involvement will surely be missed by all.

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 truly our greatest asset.

Respectfully,



Edward J. Sell  
Chairman, Board of Trustees

## Independent Auditors' Report



CliftonLarsonAllen LLP  
CLAAconnect.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, 2021, the statement of operations for the year then ended, the related statements of changes in net assets for the years ended June 30, 2021 and 2020, 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, 2021, the results of its operations for the year then ended, and the changes in its net assets for the years ended June 30, 2021 and 2020 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 24, 2021



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# STATEMENT OF NET ASSETS – JUNE 30, 2021

## INVESTMENTS, AT FAIR VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Fair Value
<b>Repurchase Agreements (6%)*</b>					
Bank of America/Merrill Lynch Tri-Party (1%)* (Collateralized by a U.S. Government Treasury Security with a coupon rate of 2.75% and maturing on 11/15/2042.) Market Value Plus Accrued Interest: \$30,626,711	\$30,026,183	0.05%	07/01/2021	0.05%	\$30,026,183
Goldman Sachs Tri-Party (5%)* (Collateralized by U.S. Government Treasury and Agency Securities with coupon rates between 0.00% and 5.50% and maturing between 07/01/2021 and 09/15/2054.) Market Value Plus Accrued Interest: \$102,000,000	100,000,000	0.05	07/01/2021	0.05	100,000,000
RBC Tri-Party (0%)* (Collateralized by U.S. Government Treasury and Agency Securities with coupon rates between 0.50% and 4.50% and maturing between 10/31/2027 and 06/01/2051.) Market Value Plus Accrued Interest: \$7,397,382 Cost of (\$137,278,518)	7,252,335	0.03	07/01/2021	0.03	7,252,335
					<u>137,278,518</u>
<b>Money Market Funds (6%)*</b>					
Fidelity Government Portfolio - Institutional Class	1,075,068			0.01	1,075,068
RBC U.S. Government - Institutional Class	10,914,078			0.02	10,914,078
State Street Institutional US Government - Premier Class	16,908,740			0.03	16,908,740
Wells Fargo Advantage Treasury Plus - Institutional Class	29,411,490			0.01	29,411,490
Wells Fargo Government Money Market - Select Class	65,081,429			0.02	65,081,429
Cost of (\$123,390,805)					<u>123,390,805</u>
<b>U.S. Government Treasury &amp; Agency Securities (6%)*</b>					
Treasury Bill	25,000,000	Disc.**	07/29/2021	0.04	24,999,225
Treasury Bill	25,000,000	Disc.**	08/19/2021	0.04	24,998,460
Treasury Bill	25,000,000	Disc.**	09/02/2021	0.05	24,997,856
Treasury Bill	25,000,000	Disc.**	09/28/2021	0.04	24,997,281
Treasury Bill	30,000,000	Disc.**	10/05/2021	0.05	29,996,400
Cost of (\$129,988,837)					<u>129,989,222</u>
<b>Certificates of Deposit (6%)*</b>					
Premier Bank	44,106,094	0.20	07/01/2021	0.20	44,106,094
First Merchants Bank	30,102,492	0.30	07/01/2021	0.30	30,102,492
Waterford Bank	50,142,785	0.20	07/01/2021	0.20	50,142,785
Cost of (\$124,351,371)					<u>124,351,371</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 NET ASSETS – JUNE 30, 2021

## INVESTMENTS, AT FAIR VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Fair Value
<b>Commercial Paper (76%)*</b>					
Australia and New Zealand Banking Corp.	\$25,000,000	0.15-Var.	07/06/2021	0.15%	\$25,000,000
Caisse des Depot et Consignations	25,000,000	Disc.**	07/09/2021	0.08	24,999,500
Ionic Capital II Trust	25,000,000	Disc.**	07/09/2021	0.08	24,999,500
Nordea Bank Abp	25,000,000	Disc.**	07/13/2021	0.07	24,999,350
JP Morgan Securities	25,000,000	Disc.**	07/15/2021	0.08	24,999,167
Old Line Funding LLC	25,000,000	0.20-Var.	07/26/2021	0.20	24,997,500
Fairway Finance Company, LLC	25,000,000	Disc.**	07/27/2021	0.11	24,997,938
FMS Wertmanagement	25,000,000	Disc.**	08/02/2021	0.09	24,997,938
Mizuho Bank Ltd. New York	15,000,000	Disc.**	08/02/2021	0.08	14,998,900
Australia and New Zealand Banking Corp.	25,000,000	Disc.**	08/03/2021	0.07	24,998,347
PSP Capital Inc.	25,000,000	0.13-Var.	08/03/2021	0.13	25,000,000
Ridgefield Funding Co. LLC	25,000,000	0.15-Var.	08/03/2021	0.15	24,999,950
FMS Wertmanagement	25,000,000	Disc.**	08/04/2021	0.09	24,997,813
Collateralized Commercial Paper V Co. LLC	25,000,000	Disc.**	08/05/2021	0.07	24,998,250
Institutional Secured Funding LLC	25,900,000	Disc.**	08/06/2021	0.15	25,896,140
BNP Paribas SA	25,000,000	Disc.**	08/09/2021	0.08	24,997,778
Macquarie Bank Ltd.	25,000,000	0.12-Var.	08/17/2021	0.12	25,000,000
Mizuho Bank Ltd. New York	25,000,000	Disc.**	08/17/2021	0.08	24,997,333
DBS Bank Ltd.	25,000,000	Disc.**	08/19/2021	0.10	24,996,424
Commonwealth Bank of Australia	15,000,000	0.15-Var.	08/20/2021	0.15	15,000,000
Mizuho Bank Ltd. Singapore	26,000,000	Disc.**	08/24/2021	0.12	25,995,353
Svenska Handelsbanken New York	25,000,000	Disc.**	08/24/2021	0.07	24,997,327
Halkin Finance LLC	25,000,000	Disc.**	08/25/2021	0.11	24,995,839
United Overseas Bank Ltd.	25,000,000	Disc.**	08/31/2021	0.09	24,996,082
Westpac Securities NZ Ltd.	20,000,000	0.14-Var.	09/01/2021	0.14	19,999,960
Westpac Banking Corp.	25,000,000	0.13-Var.	09/01/2021	0.13	25,000,423
Commonwealth Bank of Australia	25,000,000	0.13-Var.	09/02/2021	0.13	25,000,000
National Australia Bank Ltd.	25,000,000	0.20-Var.	09/07/2021	0.20	25,000,000
BNP Paribas SA	25,000,000	0.13-Var.	09/09/2021	0.13	25,000,000
Sumitomo Mitsui Trust Bank, Ltd. Singapore	14,000,000	Disc.**	09/10/2021	0.08	13,997,928
Thunder Bay Funding LLC	25,000,000	0.19-Var.	09/13/2021	0.19	24,997,500
Royal Bank of Canada New York	25,000,000	0.14-Var.	09/14/2021	0.14	25,000,000
Sumitomo Mitsui Trust Bank, Ltd. Singapore	40,500,000	Disc.**	09/17/2021	0.08	40,493,245
The Toronto-Dominion Bank	25,000,000	Disc.**	09/17/2021	0.10	24,994,733
DBS Bank Ltd.	25,000,000	Disc.**	09/21/2021	0.13	24,992,795
Albion Capital Corp. SA	25,000,000	Disc.**	09/23/2021	0.14	24,991,736
FMS Wertmanagement	25,000,000	Disc.**	09/24/2021	0.10	24,994,088
Thunder Bay Funding LLC	25,000,000	0.23-Var.	09/27/2021	0.23	24,997,500
The Toronto-Dominion Bank	25,000,000	Disc.**	09/28/2021	0.10	24,993,750
Ridgefield Funding Co. LLC	24,000,000	Disc.**	10/04/2021	0.10	23,993,472
Sumitomo Mitsui Trust Bank, Ltd. Singapore	25,000,000	Disc.**	10/04/2021	0.09	24,994,133
LMA Americas LLC	25,000,000	Disc.**	10/05/2021	0.12	24,991,782
Ridgefield Funding Co. LLC	24,484,000	Disc.**	10/05/2021	0.10	24,477,271
Starbird Funding Corp.	25,000,000	Disc.**	10/05/2021	0.13	24,991,580
Mizuho Bank Ltd. Singapore	25,000,000	Disc.**	10/14/2021	0.14	24,989,621
Old Line Funding LLC	24,250,000	0.20-Var.	10/20/2021	0.20	24,247,575

\* 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, 2021

## INVESTMENTS, AT FAIR VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Fair Value
Anglesea Funding LLC	\$25,000,000	0.19-Var.	10/22/2021	0.19%	\$25,000,000
Glencove Funding LLC	20,000,000	0.21-Var.	10/25/2021	0.21	19,998,000
Alpine Securitization LLC	25,000,000	0.16	11/01/2021	0.16	25,000,000
Swedbank AB	25,000,000	Disc.**	11/01/2021	0.10	24,991,303
Anglesea Funding LLC	25,000,000	0.17-Var.	11/03/2021	0.17	25,000,000
Mackinac Funding Company, LLC	26,000,000	Disc.**	11/16/2021	0.18	25,982,331
Manhattan Asset Funding Co.	25,000,000	0.20-Var.	11/17/2021	0.20	25,000,000
DBS Bank Ltd.	25,000,000	Disc.**	11/19/2021	0.15	24,985,208
Collateralized Commercial Paper V Co. LLC	30,000,000	Disc.**	11/22/2021	0.14	29,983,446
Crown Point Capital Co.	25,000,000	0.17	12/01/2021	0.17	24,999,570
Svenska Handelsbanken New York	21,550,000	Disc.**	12/06/2021	0.12	21,538,293
Collateralized Commercial Paper V Co. LLC	25,000,000	Disc.**	12/07/2021	0.16	24,983,000
Mizuho Bank Ltd. Singapore	25,000,000	Disc.**	12/08/2021	0.18	24,980,546
Anglesea Funding LLC	25,000,000	0.21-Var.	12/23/2021	0.21	25,000,000
Westpac Banking Corp.	10,000,000	0.22-Var.	01/07/2022	0.22	10,000,514
Old Line Funding LLC	25,000,000	0.14-Var.	01/13/2022	0.14	24,997,500
Ionic Capital II Trust	49,000,000	Disc.**	02/11/2022	0.17	48,947,706
Skandinaviska Enskilda Banken AB New York	25,000,000	Disc.**	02/14/2022	0.16	24,975,192
Crown Point Capital Co.	25,000,000	0.18	03/04/2022	0.18	24,989,937
National Australia Bank Ltd.	25,000,000	0.13-Var.	03/04/2022	0.13	25,000,000
Crown Point Capital Co.	25,000,000	0.19	03/07/2022	0.19	24,991,024
National Australia Bank Ltd.	25,000,000	0.16-Var.	03/15/2022	0.16	25,000,000
Cost of (\$1,685,301,884)					<u>1,685,339,091</u>
<b>Total Investments in Securities</b>					
Cost of (\$2,200,311,415)					<u>2,200,349,007</u>
<b>Other Assets</b>					
Accrued Interest Receivable					75,058
Receivable for Shares Sold					<u>2,100,243</u>
Total Assets					<u>\$2,202,524,308</u>
<b>Less Liabilities</b>					
Administration and Investment Advisory Fees					238,324
Miscellaneous Payable					62,703
Payable for Shares Redeemed					<u>2,443,607</u>
Total Liabilities					<u>2,744,634</u>
Net Assets					<u>\$2,199,779,674</u>
<b>Components of Capital</b>					
Capital (Par Value)					\$2,199,742,082
Unrealized Appreciation on Investments					<u>37,592</u>
Net Assets					<u>\$2,199,779,674</u>
Outstanding Participant Shares					<u>2,199,742,082</u>
<b>Net Asset Value per Share</b>					<u>\$1.00</u>

\*\* 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, 2021)

Investment Income	\$5,935,219
Expenses:	
Administration and Investment Advisory Fees	<u>3,308,780</u>
Net Investment Income	<u>2,626,439</u>
Net Gain on Investments	61,317
Net Change in Unrealized Depreciation on Investments	<u>(846,286)</u>
Net Realized Gain and Unrealized Loss on Investments	<u>(784,969)</u>
Net Increase in Net Assets Resulting from Operations	<u>\$1,841,470</u>

## STATEMENTS OF CHANGES IN NET ASSETS

(Years Ended June 30, 2021 and June 30, 2020)

	2021	2020
From Investment Activities:		
Net Investment Income	\$2,626,439	\$36,454,899
Net Change in Unrealized Appreciation/(Depreciation) on Investments	(846,286)	728,458
Realized Gain on Investments	<u>61,317</u>	<u>9,245</u>
Net Increase in Net Assets Resulting from Operations	<u>1,841,470</u>	<u>37,192,602</u>
Distributions to Participants from Net Investment Income	(2,626,439)	(36,454,899)
Distributions to Participants from Net Realized Gain	(61,317)	(9,245)
Net Increase/(Decrease) in Net Assets from Share Transactions	<u>(199,972,923)</u>	<u>584,830,326</u>
Net Increase/(Decrease) in Net Assets	<u>(200,819,209)</u>	<u>585,558,784</u>
Net Assets:		
Beginning of Period	<u>2,400,598,883</u>	<u>1,815,040,099</u>
End of Period	<u>\$2,199,779,674</u>	<u>\$2,400,598,883</u>

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

## Notes to Financial Statements — June 30, 2021

### 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.

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

#### Use of Estimates

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.

#### 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, 2021, 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 posted to participants' accounts 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, 2021 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, 2021)

Investments in Securities at Value*	Valuation Inputs			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 124,351,371	\$ -	\$124,351,371
Commercial Paper		1,685,339,091	-	1,685,339,091
Money Market Funds	123,390,805	-	-	123,390,805
Repurchase Agreements	-	137,278,518	-	137,278,518
U.S. Government Treasury Securities	-	129,989,222	-	129,989,222
Total	<u>\$123,390,805</u>	<u>\$2,076,958,202</u>	<u>\$ -</u>	<u>\$2,200,349,007</u>

\* For the year ended June 30, 2021 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 the Michigan CLASS portfolio 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, 2021, 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 6% for the year ended June 30, 2021.

## 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 prior day's net assets. For weekend days and holidays, the net assets 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, 2021 and 2020 for the Michigan CLASS portfolio were as follows:

	2021	2020
Shares sold	4,755,814,666	5,832,121,442
Shares issued on reinvestment of distributions	2,687,756	36,464,144
Shares redeemed	(4,958,475,345)	(5,283,755,260)
Net increase/(decrease)	(199,972,923)	584,830,326

At June 30, 2021, two participants held more than a 5% participation interest in CLASS. The holding of these participants is approximately 13% of the portfolio at June 30, 2021. 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				
	2021	2020	2019	2018	2017
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	\$0.001	\$0.016	\$0.024	\$0.015	\$0.009
Net Asset Value - End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
TOTAL RETURN	0.100%	1.649%	2.419%	1.508%	0.834%
RATIOS					
Net Assets-End of period (\$000 Omitted)	\$2,199,780	\$2,400,599	\$1,815,040	\$1,513,091	\$841,049
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	0.103%	1.605%	2.392%	1.529%	0.851%

## 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 24, 2021, 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.

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