



NEW YORK COOPERATIVE LIQUID ASSETS SECURITIES SYSTEM



# Annual Report

JUNE 30, 2020

(REPORT OF INDEPENDENT AUDITORS WITHIN)

## Chairperson's Letter

To the Participants of NYCLASS:

On behalf of the NYCLASS Governing Board and our administrator and investment advisor, Public Trust Advisors, LLC (Public Trust), I am pleased to present the NYCLASS 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 MBS 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, NYCLASS 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 NYCLASS 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, NYCLASS achieved an all-time high in assets under management, surpassing \$3.82 billion. With average daily yields of 1.41%, the NYCLASS portfolio accumulated nearly \$43 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, NYCLASS 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 NYCLASS Governing Board. 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 NYCLASS Participants are in fact our greatest asset.

Respectfully,



Robert A. Wheeling  
Chairman, NYCLASS Governing Board

## Independent Auditors' Report



CliftonLarsonAllen LLP  
CLAAconnect.com

### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of New York Cooperative Liquid Assets Securities System (NYCLASS), 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 NYCLASS 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 Matters**

The financial highlights included in Note 7 for the year ended June 30, 2016, was audited by other auditors whose report dated August 30, 2016, expressed an unmodified opinion on the financial highlights.

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  
August 21, 2020



## STATEMENT OF NET ASSETS – JUNE 30, 2020

### 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 (4%)* (Collateralized by U.S. Treasury Obligations with coupon rates between 2.00% and 2.50% and maturing between 11/15/2021 and 03/31/2023.) Market value plus accrued interest: \$124,485,996	\$122,045,078	0.07%	07/01/20	0.07%	\$122,045,078
BMO Tri-Party (1%)* (Collateralized by U.S. Treasury Obligations with coupon rates between 0.00% and 2.375% and maturing between 09/17/2020 and 02/15/2030.) Market value plus accrued interest: \$32,319,190	31,685,415	0.05	07/01/20	0.05	31,685,415
JP Morgan Tri-Party (1%)* (Collateralized by U.S. Treasury Obligations with coupon rates between 0.00% and 1.50% and maturing between 07/15/2020 and 05/15/2025.) Market value plus accrued interest: \$51,000,000	50,000,000	0.08	07/06/20	0.08	50,000,000
RBC Capital Markets Tri-Party (0%)* (Collateralized by a U.S. Treasury Obligation with a coupon rate of 0.50% and maturing on 04/30/2027.) Market value plus accrued interest: \$10,645,609	10,436,858	0.05	07/01/20	0.05	10,436,858
Wells Fargo Bank, N.A. (0%)* (Collateralized by a U.S. Government Mortgage Obligation with a coupon rate of 3.50% and maturing on 11/01/2043.) Market value plus accrued interest: \$4,773,658	4,680,057	0.01	07/01/20	0.01	4,680,057
Cost of (\$218,847,408)					218,847,408
<b>U.S. Government Treasury Securities (62%)*</b>					
Treasury Notes/Bonds & Bills*					
Treasury Bill	40,000,000	Disc**	07/02/20	1.56	39,999,756
Treasury Bill	157,000,000	Disc**	07/09/20	1.11	156,995,855
Treasury Bill	96,500,000	Disc**	07/16/20	1.56	96,495,445
Treasury Bill	50,000,000	Disc**	07/21/20	0.08	49,996,670
Treasury Bill	78,000,000	Disc**	07/23/20	1.53	77,994,127
Treasury Bill	175,000,000	Disc**	07/30/20	0.93	174,982,203
Treasury Note/Bond	37,000,000	0.19 - Var.	07/31/20	0.19	37,001,125
Treasury Bill	48,500,000	Disc**	08/06/20	1.54	48,493,870
Treasury Bill	50,000,000	Disc**	08/11/20	0.11	49,992,550
Treasury Bill	11,600,000	Disc**	08/13/20	1.77	11,598,193
Treasury Bill	45,000,000	Disc**	08/20/20	0.11	44,991,932
Treasury Bill	50,000,000	Disc**	08/25/20	0.13	49,988,970
Treasury Bill	82,000,000	Disc**	08/27/20	0.88	81,982,903
Treasury Bill	50,000,000	Disc**	09/01/20	0.15	49,989,065
Treasury Bill	50,000,000	Disc**	09/03/20	0.70	49,988,090
Treasury Bill	40,100,000	Disc**	09/10/20	1.01	40,089,301
Treasury Bill	51,000,000	Disc**	09/15/20	0.15	50,984,945

\* 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
Treasury Bill	\$57,000,000	Disc**	09/22/20	0.18%	\$56,982,045
Treasury Bill	64,000,000	Disc**	09/29/20	0.13	63,977,510
Treasury Bill	50,000,000	Disc**	10/06/20	0.13	49,980,265
Treasury Bill	7,000,000	Disc**	10/08/20	1.55	6,997,206
Treasury Bill	50,000,000	Disc**	10/13/20	0.13	49,978,270
Treasury Bill	40,000,000	Disc**	10/20/20	0.14	39,981,832
Treasury Bill	50,000,000	Disc**	10/22/20	0.17	49,975,775
Treasury Note/Bond	40,000,000	0.20 - Var.	10/31/20	0.20	40,003,724
Treasury Bill	50,000,000	Disc**	11/03/20	0.18	49,974,450
Treasury Bill	50,000,000	Disc**	11/05/20	0.14	49,971,555
Treasury Bill	47,000,000	Disc**	11/10/20	0.15	46,973,262
Treasury Bill	50,000,000	Disc**	11/17/20	0.17	49,970,835
Treasury Bill	50,000,000	Disc**	11/19/20	0.15	49,969,430
Treasury Bill	50,000,000	Disc**	11/24/20	0.18	49,968,765
Treasury Bill	23,000,000	Disc**	12/03/20	0.17	22,984,999
Treasury Bill	50,000,000	Disc**	12/10/20	0.19	49,965,365
Treasury Bill	61,000,000	Disc**	01/28/21	0.14	60,944,539
Treasury Note/Bond	50,000,000	0.27 - Var.	01/31/21	0.26	50,026,790
Treasury Note/Bond	40,000,000	0.29 - Var.	04/30/21	0.29	40,035,784
Treasury Note/Bond	25,000,000	0.37 - Var.	07/31/21	0.37	25,045,990
Treasury Note/Bond	50,000,000	0.45 - Var.	10/31/21	0.45	50,161,045
Cost of (\$2,064,686,034)					<u>2,065,434,436</u>
<b>Total Investments in Securities</b>					
Cost of (\$2,283,533,442)					<u>2,284,281,844</u>
<b>Deposit Balances in Custodian Banks (32%)*</b>					
Citizens Bank (2%)*	76,108,155	0.25	07/01/20	0.25	76,108,155
Country Bank/Ocean First (3%)*	100,000,822	0.35	07/01/20	0.30	100,000,822
Country Bank/Ocean First (3%)*	100,025,894	0.30	07/01/20	0.35	100,025,894
Dime Bank (4%)*	150,067,662	0.30	07/01/20	0.30	150,067,662
Dime Bank (2%)*	72,598,523	0.60	07/01/20	0.60	72,598,523
Dime Bank (2%)*	72,598,521	0.60	07/01/20	0.60	72,598,521
Quontic Bank (1%)*	25,026,560	0.50	07/01/20	0.50	25,026,560
Quontic Bank (1%)*	25,013,292	0.25	07/01/20	0.25	25,013,292
Santander Bank (3%)*	105,267,304	0.20	07/01/20	0.20	105,267,304
TD Bank (11%)*	356,399,894	0.20	07/01/20	0.20	356,399,894
					<u>1,083,106,627</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

**Other Assets**

Accrued Interest Receivable	\$54,692
Total Assets	<u>3,367,443,163</u>

**Less Liabilities**

Administration and Investment Advisory Fees	397,838
Total Liabilities	<u>397,838</u>
Net Assets	<u><u>\$3,367,045,325</u></u>

**Components of Capital**

Capital (Par Value)	\$3,366,296,923
Unrealized Appreciation on Investments	748,402
Net Assets	<u><u>\$3,367,045,325</u></u>

**Outstanding Participant Shares**

3,366,296,923

**Net Asset Value per Share**

\$1.00

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

## STATEMENT OF OPERATIONS

(Year Ended June 30, 2020)

Investment Income	\$47,294,373
Expenses:	
Administration and Investment Advisory Fees	<u>4,344,145</u>
Net Investment Income	<u>42,950,228</u>
Net Gain on Investments	7,588
Change in Net Unrealized Appreciation on Investments	<u>109,753</u>
Net Realized Gain and Unrealized Gain on Investments	<u>117,341</u>
Net Increase in Net Assets Resulting from Operations	<u>\$43,067,569</u>

## STATEMENTS OF CHANGES IN NET ASSETS

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

	2020	2019
From Investment Activities:		
Net Investment Income	\$42,950,228	\$47,579,652
Net Change in Unrealized Appreciation on Investments	109,753	679,744
Realized Gain on Investments	<u>7,588</u>	<u>16,038</u>
Net Increase in Net Assets Resulting from Operations	<u>43,067,569</u>	<u>48,275,434</u>
Distributions to Participants from Net Investment Income	(42,950,228)	(47,579,652)
Distributions to Participants from Net Realized Gain	(7,588)	(16,038)
Net Increase in Net Assets from Share Transactions	<u>874,389,545</u>	<u>1,271,665,204</u>
Net Increase in Net Assets	<u>874,499,298</u>	<u>1,272,344,948</u>
Net Assets:		
Beginning of Period	<u>2,492,546,027</u>	<u>1,220,201,079</u>
End of Period	<u>\$3,367,045,325</u>	<u>\$2,492,546,027</u>

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

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020

### Note 1. Description of NYCLASS and Significant Accounting Policies

The New York Cooperative Liquid Assets Securities System - ("NYCLASS") or ("Cooperative") was established on September 19, 1989, as a cooperative investment arrangement organized under the NYCLASS Municipal Cooperation Agreement made pursuant to New York General Municipal Law, Article 3A and 5-G. NYCLASS is available for investment by any New York State Municipal Cooperation or District. The purpose of NYCLASS is to enable such entities to cooperate in the investment of their available funds. The Lead Participant of NYCLASS is the Village of Potsdam. The Lead Participant, acting through an appropriate fiscal officer ("Lead Fiscal Officer"), is primarily responsible for executing the provisions of the Municipal Cooperation Agreement. NYCLASS operates like money market mutual funds with each share valued at \$1.00.

NYCLASS 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 the Cooperative 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

The Cooperative's investment policies do not allow for investments in derivatives and, for the period ended June 30, 2020, the Cooperative 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 credited to participants' accounts daily. The Cooperative's policy is to distribute net realized capital gains, if any, in a reasonable time frame after the gain is realized.

#### Income Taxes

NYCLASS is not subject to federal, state or local income taxes, and accordingly no tax provision has been made. NYCLASS files tax returns annually. NYCLASS 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. NYCLASS's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

### Note 2. Fair Value Measurements

In accordance with FASB guidance, the Cooperative 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 Cooperative's 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 the Cooperative 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 the Cooperative'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
Repurchase Agreements	\$ -	\$218,847,408	\$ -	\$218,847,408
U.S. Government Treasury Securities	-	2,065,434,436	-	2,065,434,436
Total	\$ -	\$2,284,281,844	\$ -	\$2,284,281,844

\* For the year ended June 30, 2020 the NYCLASS 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.

The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

### Note 3. Deposits and Investments

#### Deposits

At June 30, 2020, the deposit balances at the custodian banks were \$1,083,106,627 for the NYCLASS portfolio. As a result, approximately 32% of the total assets held by the NYCLASS portfolio are concentrated at six custodian banks - Citizens Bank, N.A., Country Bank (a Division of Ocean First), Dime Bank, Quontic Bank, Santander Bank, and TD Bank.

Interest earned on bank deposit investment vehicles as a percentage of total interest earned accounted for 29% on the NYCLASS portfolio for the year ending June 30, 2020. All portfolio holdings are collateralized in accordance with General Municipal Law (GML) Section 10.

#### Custodian

Wells Fargo Bank, N.A. serves as the custodian for the Cooperative's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Cooperative's investment portfolios and provides services as the depository in connection with direct investment and withdrawals. The custodian's internal records segregate investments owned by the Cooperative. The Cooperative may also use Bank of America N.A., The Bank of New York Mellon, Bank of the West, Citibank N.A., CIT Bank N.A., Citizens Bank N.A., Dime Community Bank, HSBC Bank USA N.A., JPMorgan Chase Bank N.A., M&T Bank Corp., PNC Bank N.A., Santander Bank N.A., State Street Bank and Trust Co., TD Bank N.A., Truist Bank, US Bank N.A., and Valley National Bank as a safekeeping agent for overnight deposit balances.

## Risk Disclosure

The portfolios are 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 the Cooperative.
- 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 the Cooperative's 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.

## Investment in Securities

New York State statutes specify investments meeting defined rating and risk criteria in which local government investment pools may invest. The Board of Trustees has further limited investment instruments for the Cooperative. The Cooperative may invest in the following:

- Any security issued by, fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment.
- Obligations of the State of New York.
- Obligations issued pursuant to section 24.00 or 25.00 of the local finance law (with the approval of the State Comptroller) by any municipality, school district or district corporation not participating in the Cooperative.
- Special time deposit accounts in, or certificates of deposit issued by, a bank or trust company located and authorized to do business in the State of New York, collateralized in accordance with the provisions of General Municipal Law, Section 10, or in accordance with all of the following conditions:
  1. The moneys are invested through a bank or trust company located and authorized to do business in New York.
  2. The bank or trust company arranges for the deposit of moneys in certificates of deposit in one or more banking institutions, as defined by section nine-r of the banking law, for the account of NYCLASS.
  3. The full amount of the principal and accrued interest of each such certificate of deposit must be insured by the Federal Deposit Insurance Corporation.
  4. The bank or trust company acts as custodian for NYCLASS with respect to such certificates of deposit issued for NYCLASS's account.
  5. At the same time that NYCLASS's moneys are deposited and the certificates of deposit are issued for the account of NYCLASS, the bank or trust company receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of the moneys invested by NYCLASS through the bank or trust company.
- Special time deposits may be maintained only with, and certificates of deposits may be purchased only from, creditworthy banks and trust companies.
- Repurchase agreements and tri-party repurchase agreements with member banks of the Federal Reserve System and/or dealers in U.S. Government Securities which have a short term issuer credit rating (actual or imputed) of at least A-1 by Standard & Poor's.

No more than 25% of the portfolio may be invested overnight with any one counterparty, unless the counterparty is rated A-1+ by Standard & Poor's, then no more than 50% of the portfolio may be invested overnight with such a counterparty.

A Master Repurchase Agreement (e.g. The Bond Market Association standard agreement, 1996 version) and applicable NYCLASS annexes must be signed by all parties and on file prior to executing any transaction.

Tri-party repurchase agreements are permissible with NYCLASS Board approved counterparties and 3rd party custodians (acting for both the party and the counterparty). Written Tri-party custodian agreements (in addition to The Bond Market Association 1996 standard repurchase agreement) must be signed by all parties and on file prior to executing any transaction.

Collateral (purchased securities) shall be limited to the following and shall be indicated as such on Schedule 1 'Schedule of Eligible Securities' of the Tri-party custodian agreement: U.S. Treasuries (Bills, Bonds, Notes, Strips), GNMA I/II Others-Fixed Rate and GNMA I/II Others-Adjust Rate.

Term repurchase agreements ("TRA's") are considered eligible investments under the following conditions:

For TRA's between 2 to 5 business days: A maximum of 10% of the portfolio with any one dealer.

For TRA's with maturities of more than 5 business days: A maximum of 5% of the portfolio.

TRA's shall not exceed 30 calendar days.

TRA's shall fulfill all requirements of the 1996 version of The Bond Market Association master repurchase agreement.

The Repurchase Agreements between NYCLASS and the various approved counterparties require that the aggregate market value of all Purchased Securities from any particular counterparty be at least 102% (the "Margin") of the aggregate Purchase Price of the Purchased Securities.

The Board recognizes that market fluctuations constantly increase or decrease the value of securities; that there is value in maintaining ongoing positive relationships between NYCLASS and the various counterparties; that accepted practice in the industry allows minor deviations from strict application of margins; and that there is a cost of changing collateral securing repurchase agreements. For those reasons, the Portfolio Manager may use discretion before directing that a counterparty supply Additional Purchased Securities until such time as the Margin falls below 101.5%. If the aggregate collateral level of the counterparty falls below 101.5%, the Portfolio Manager shall notify the counterparty to provide sufficient Additional Securities to restore the margin to at least 102%. The portfolio manager will require additional collateral to return the margin to at least 102% on the next business day.

The maximum final maturity per fixed rate security fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment is 13 months (397 days).

The maximum final maturity per floating rate security fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment is two years (762 days).

The weighted average maturity to reset cannot exceed 60 days. The weighted average maturity to final cannot exceed 120 days.

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

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

#### Note 4. Repurchase Agreements

Funds are released from the Cooperative's portfolios for repurchase agreements only when collateral has been wired to the custodian bank, and for the period ended June 30, 2020, the Cooperative held no uncollateralized repurchase agreements. The custodian bank reports the market value of the collateral securities to the Cooperative 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 the Cooperative may be limited. NYCLASS may use Bank of America N.A., Bank of Montreal, Barclays Bank PLC, BofA Securities, Citigroup Global Markets, Credit Agricole CIB, Goldman Sachs & Co., JP Morgan Securities LLC, Royal Bank of Canada NY, UBS Securities LLC and Wells Fargo Bank N.A. as a safekeeping agent for repurchase agreements. Interest earned on repurchase agreements as a percentage of total interest earned accounted for 43% on the NYCLASS portfolio for the year ending 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). The Cooperative'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 as follows:

Current Day's Shares Outstanding Balance	Fee %
First 1,000,000,000	.15%
Next 1,000,000,000	.14%
Over 2,000,000,001	.12%

## Note 6. Share Transactions

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

	2020	2019
Shares sold	5,832,784,031	5,067,194,724
Shares issued on reinvestment of distributions	42,950,198	47,579,733
Shares redeemed	(5,001,344,684)	(3,843,109,253)
Net increase	<u>874,389,545</u>	<u>1,271,665,204</u>

At June 30, 2020, no participants held more than a 5% participation interest in the Cooperative.

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

	NYCLASS 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	\$0.013	\$0.022	\$0.013	\$0.005	\$0.002
Net Asset Value - End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
TOTAL RETURN	1.425%	2.149%	1.210%	0.454%	0.159%
RATIOS					
Net Assets-End of period (\$000 Omitted)	\$3,367,045	\$2,492,546	\$1,220,201	\$670,799	\$336,137
Ratio of Expenses to Average Net Assets Gross	0.140%	0.140%	0.120%	0.120%	0.120%
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	0.140%	0.140%	0.120%	0.120%	0.120%
Ratio of Net Investment Income to Average Net Assets	1.340%	2.173%	1.282%	0.487%	0.188%

## 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 Cooperative's financial statements. Management has determined that there were no material events that would require disclosure in the Cooperative's financial statements as of August 21, 2020, which is the date the financial statements were available to be issued.

## Note 9. Related Parties

All Trustees of NYCLASS are officers of participating governments.

## BOARD OF TRUSTEES

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The logo for NYCLASS, featuring the word "NYCLASS" in a large, blue, serif font with a registered trademark symbol.

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