



# Annual Report

DECEMBER 31, 2017  
(REPORT OF INDEPENDENT AUDITORS WITHIN)

FLCLASS Rated AAAM by Standard & Poor's

Standard & Poor's Ratings in no way guarantee favorable performance results and should not be construed as safety in an investment.



## Chairman's Letter

December 31, 2017

To the Participants of FLCLASS:

On behalf of the members of the FLCLASS Board of Trustees and Public Trust Advisors, LLC (Public Trust), the pool administrator and investment advisor, we are pleased to present the audited financials for the year ending December 31, 2017.

As we enter another new year, the Board of Trustees wishes to extend its gratitude to all FLCLASS Participants as together we reflect on 2017, which was, in many ways, a breakthrough year for FLCLASS. Assets under management for the fund climbed to \$2.1 billion on December 22, 2017, a new all-time high. This new high represents a 24% increase over the previous record high of \$1.7 billion set in December of 2016.

Participation in FLCLASS grew by 36% over the course of the year. The increased usage helps the fund to achieve further economies of scale and greater investment buying power. Fund participation is poised to grow further in 2018, a testament to the program's overall health, as well as to its growing reputation for safety, liquidity, transparency, service and convenience.

The safety of the public dollars we manage on your behalf will always be the primary objective of FLCLASS. The fund continues to maintain the 'AAAm' principal stability fund rating issued by Standard and Poor's Ratings Services. This rating symbolizes outstanding credit quality and active management. In fact, the two primary persons responsible for FLCLASS portfolio management, Randy Palomba, CFA, and Neil Waud, CFA, have more than 40 years combined experience managing local government investment pools.

The transition into 2018 also offers us an opportunity to glance forward to the year ahead. As was widely expected, the Federal Open Market Committee (FOMC) raised the target range for federal funds to 1.25-1.50% in December. Moreover, the FOMC maintained its forecast for three additional rate hikes in 2018. While the market forecasts seem to indicate slightly less optimism, the consensus is that higher interest rates will be available in the foreseeable future, good news for FLCLASS Participants statewide.

Lastly, we will be introducing a new FLCLASS website in the coming months. The marketing team over at the FLCLASS offices is working to create an enhanced online user experience. The Board believes that the new site will introduce an even more convenient, transparent view into the investment program you know and trust.

As we continue the path through 2018, the entire team at FLCLASS remains devoted to providing an unparalleled level of service to each of the local government Participants that make up the program. The extraordinary capabilities and local knowledge of our staff paired with the character, experience, and wisdom of our clients makes sitting on this Board rewarding on both a personal and professional level.

Our sincerest thanks for your continued participation and commitment to FLCLASS.

Respectfully,



Ken Burke, CPA

Chairman, Board of Trustees

## Independent Auditors' Report



### Report of Independent Auditors

To the Board of Trustees  
Florida Cooperative Liquid Assets Securities System

We have audited the accompanying financial statements of Florida Cooperative Liquid Assets Securities System (FLCLASS), which comprise the statement of net assets as of December 31, 2017, the related statement of operations for the year then ended, the related statements of changes in net assets for the years ended December 31, 2017 and 2016, 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.

#### Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Florida Cooperative Liquid Assets Securities System as of December 31, 2017, the results of its operations for the year then ended, and the changes in its net assets for the years ended December 31, 2017 and 2016, in accordance with accounting principles generally accepted in the United States of America.

*Templeton & Company, LLP*

West Palm Beach, Florida  
March 9, 2018



## STATEMENT OF NET ASSETS – DECEMBER 31, 2017

### INVESTMENTS, AT VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Market Value
<b>Repurchase Agreements (2%)*</b>					
JP Morgan Tri-Party (1%)* (Collateralized by U.S. Agency Obligations with coupon rates between 2.308% and 5.00% and maturing between 02/01/2041 and 06/01/2046.) Market value plus accrued interest: \$25,502,092	\$25,000,000	1.37%	01/02/18	1.37%	\$25,000,000
RBC Tri-Party (1%)* (Collateralized by U.S. Agency Obligations with coupon rates between 3.00% and 4.50% and maturing between 03/01/2026 and 12/01/2047.) Market value plus accrued interest: \$7,213,024	7,071,430	1.38	01/02/18	1.38	7,071,430
Cost of (\$32,071,430)					<u>32,071,430</u>
<b>Certificates of Deposit (2%)*</b>					
Wells Fargo Bank NA	16,000,000	1.63 - Var.	02/16/18	1.63	16,000,000
Svenska Handelsbanken AB	25,000,000	1.66 - Var.	06/21/18	1.66	<u>25,000,000</u>
Cost of (\$41,000,000)					<u>41,000,000</u>
<b>Commercial Paper (92%)*</b>					
Chariot Funding LLC	10,000,000	Disc**	01/02/18	1.42	9,998,389
Institutional Secured Funding LLC	25,000,000	Disc**	01/02/18	1.67	24,995,973
Mitsubishi UFJ Trust & Banking Corp.	50,000,000	Disc**	01/02/18	1.53	49,991,835
Old Line Funding LLC	20,000,000	Disc**	01/03/18	1.32	19,995,334
Barton Capital LLC	19,200,000	Disc**	01/04/18	1.42	19,195,296
Manhattan Asset Funding Co.	15,000,000	1.47 - Var.	01/04/18	1.47	15,000,000
Toyota Motor Credit Corp.	15,000,000	Disc**	01/04/18	1.36	14,996,525
Alpine Securitization	26,250,000	Disc**	01/05/18	1.44	26,242,445
Collateralized Commercial Paper Co.	15,000,000	1.55 - Var.	01/05/18	1.55	15,000,000
Institutional Secured Funding LLC	30,000,000	Disc**	01/05/18	1.48	29,991,366
Lexington Parker Capital	20,000,000	Disc**	01/05/18	1.47	19,994,244
LMA Americas LLC	19,500,000	Disc**	01/05/18	1.39	19,494,388
Macquarie Bank Ltd.	9,500,000	Disc**	01/05/18	1.42	9,497,248
Bennington Stark Capital Co.	35,000,000	Disc**	01/09/18	1.64	34,983,746
Kells Funding LLC	20,000,000	Disc**	01/09/18	1.36	19,990,406
NRW. Bank	35,000,000	Disc**	01/10/18	1.39	34,981,800
PSP Capital Inc.	50,000,000	Disc**	01/10/18	1.54	49,974,000
Anglesea Funding LLC	20,000,000	Disc**	01/11/18	1.47	19,988,950
La Fayette Asset Securitization LLC	25,000,000	Disc**	01/11/18	1.39	24,986,188
Lexington Parker Capital	64,250,000	Disc**	01/12/18	1.48	64,211,521
Bedford Row Funding Corp.	15,000,000	1.61 - Var.	01/16/18	1.61	15,000,000
Royal Bank of Canada	25,000,000	Disc**	01/18/18	1.56	24,978,750
National Australia Bank Ltd.	25,000,000	Disc**	01/22/18	1.68	24,976,668
Barton Capital LLC	25,000,000	Disc**	01/24/18	1.43	24,970,930
Erste Abwicklungsanstalt	15,000,000	Disc**	01/26/18	1.40	14,982,500
Toronto Dominion Bank	40,000,000	Disc**	01/26/18	1.42	39,953,332
Manhattan Asset Funding Co.	10,000,000	1.67 - Var.	01/30/18	1.67	10,000,000

\* 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 – DECEMBER 31, 2017

### INVESTMENTS, AT VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Market Value
Victory Receivables Corp.	\$30,000,000	Disc**	01/30/18	1.68%	\$29,956,533
Alpine Securitization	25,000,000	Disc**	01/31/18	1.42	24,962,418
Bank Nederlandse Gemeent	20,000,000	Disc**	01/31/18	1.41	19,971,034
Bennington Stark Capital Co.	20,000,000	Disc**	01/31/18	1.52	19,969,934
Kells Funding LLC	10,000,000	Disc**	02/01/18	1.41	9,986,306
Victory Receivables Corp.	40,000,000	Disc**	02/01/18	1.43	39,938,044
Kells Funding LLC	20,000,000	Disc**	02/02/18	1.54	19,972,000
JP Morgan Securities	15,000,000	Disc**	02/06/18	1.45	14,974,163
Erste Abwicklungsanstalt	15,000,000	Disc**	02/07/18	1.42	14,975,334
Toronto Dominion Bank	20,000,000	Disc**	02/07/18	1.41	19,967,112
NRW. Bank	21,200,000	Disc**	02/09/18	1.43	21,163,394
Nordea Bank AB	20,000,000	Disc**	02/12/18	1.40	19,963,250
Crown Point Capital Co.	20,000,000	1.74 - Var.	02/16/18	1.51	20,000,000
Macquarie Bank Ltd.	25,000,000	Disc**	02/16/18	1.85	24,945,215
NRW. Bank	25,000,000	Disc**	02/21/18	1.46	24,944,875
Old Line Funding LLC	22,203,000	Disc**	02/21/18	1.51	22,160,703
Manhattan Asset Funding Co.	20,000,000	Disc**	02/26/18	1.61	19,944,934
Macquarie Bank Ltd.	25,000,000	Disc**	03/01/18	1.63	24,929,390
Collateralized Commercial Paper Co.	15,000,000	1.54 - Var.	03/05/18	1.72	15,000,000
Old Line Funding LLC	20,000,000	1.48 - Var.	03/05/18	1.66	20,000,000
DZ Bank AG NY	25,000,000	1.49 - Var.	03/06/18	1.66	25,000,000
Kells Funding LLC	30,000,000	Disc**	03/06/18	1.56	29,927,418
Collateralized Commercial Paper II Co.	20,000,000	1.58 - Var.	03/07/18	1.74	20,000,000
Macquarie Bank Ltd.	25,000,000	Disc**	03/07/18	1.62	24,922,083
Alpine Securitization	20,000,000	Disc**	03/08/18	1.53	19,935,216
Macquarie Bank Ltd.	20,000,000	1.53 - Var.	03/09/18	1.53	20,000,000
Ontario Teachers' Finance Trust	10,000,000	Disc**	03/09/18	1.43	9,971,028
Toronto Dominion Bank	19,800,000	Disc**	03/14/18	1.49	19,738,125
Concord Minuteman Cap Co.	30,000,000	Disc**	03/15/18	1.71	29,892,966
Manhattan Asset Funding Co.	30,000,000	Disc**	03/19/18	1.78	29,887,332
Crown Point Capital Co.	15,000,000	1.78 - Var.	03/20/18	1.78	15,000,000
Nordea Bank AB	25,000,000	Disc**	03/20/18	1.44	24,915,063
Toronto Dominion Bank	15,000,000	Disc**	03/20/18	1.67	14,949,038
Manhattan Asset Funding CO	25,000,000	Disc**	03/22/18	1.85	24,902,015
Ontario Teachers' Finance Trust	25,000,000	Disc**	03/23/18	1.45	24,911,918
Coca-Cola Co.	15,000,000	Disc**	04/09/18	1.34	14,944,451
Concord Minuteman Cap Co.	25,000,000	Disc**	04/09/18	1.75	24,879,360
Danske Corporation	20,000,000	Disc**	04/13/18	1.89	19,900,834
Ridgefield Funding Co. LLC	25,000,000	Disc**	04/16/18	1.75	24,870,250
Toyota Motor Credit Corp.	25,000,000	1.44 - Var.	04/30/18	1.65	25,000,000
Bedford Row Funding Corp.	25,000,000	1.48 - Var.	05/01/18	1.69	25,000,000
Ontario Teachers' Finance Trust	20,000,000	Disc**	05/09/18	1.53	19,885,012
JP Morgan Securities	10,000,000	1.61 - Var.	05/11/18	1.61	10,000,000
Kells Funding LLC	10,000,000	Disc**	05/17/18	1.48	9,944,014
JP Morgan Securities	15,000,000	1.67 - Var.	05/18/18	1.67	15,000,000
Anglesea Funding LLC	10,000,000	1.79 - Var.	05/22/18	1.79	10,000,000

\* 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 – DECEMBER 31, 2017

### INVESTMENTS, AT VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Market Value
Old Line Funding LLC	\$20,000,000	Disc**	05/25/18	1.74%	\$ 19,869,334
Starbird Funding Corp.	25,000,000	Disc**	05/29/18	1.76	24,809,153
Collateralized Commercial Paper Co.	20,000,000	1.57 - Var.	06/04/18	1.75	20,000,000
Anglesea Funding LLC	15,000,000	1.66 - Var.	06/05/18	1.82	15,000,000
Australia & New Zealand Banking Group Ltd.	25,000,000	1.49 - Var.	06/05/18	1.67	25,000,000
Ridgefield Funding Co. LLC	20,000,000	1.61 - Var.	06/05/18	1.77	20,000,000
Australia & New Zealand Banking Group Ltd.	20,000,000	1.52	06/07/18	1.68	20,000,000
Bedford Row Funding Corp.	20,000,000	1.52 - Var.	06/07/18	1.69	20,000,000
Bedford Row Funding Corp.	15,000,000	1.54 - Var.	06/07/18	1.69	15,000,000
Collateralized Commercial Paper II Co.	25,000,000	1.64 - Var.	06/08/18	1.77	25,000,000
Ridgefield Funding Co. LLC	25,000,000	1.65 - Var.	06/08/18	1.77	25,000,000
Anglesea Funding LLC	15,000,000	1.76 - Var.	06/18/18	1.76	15,000,000
Commonwealth Bank of Australia	20,000,000	1.69 - Var.	06/21/18	1.69	20,000,000
Australia & New Zealand Banking Group Ltd.	25,000,000	1.73 - Var.	06/27/18	1.73	25,000,000
DNB Bank ASA	20,000,000	1.67 - Var.	06/27/18	1.67	20,000,000
Cost of (\$1,949,359,029)					<u>1,949,151,083</u>
<b>Money Market Funds (2%)*</b>					
RBC US Government	55,120,171				<u>55,120,171</u>
Cost of (\$55,120,171)					<u>55,120,171</u>
Total Investments in Securities					
Cost of (\$2,077,550,630)					<u>2,077,342,684</u>
<b>Deposit Balances in Custodian Banks (2%)*</b>					
Wells Fargo Bank, N.A. (2%)*	43,956,941	0.83	01/02/18	0.83	<u>43,956,941</u>
					<u>43,956,941</u>
Other Assets					
Accrued Interest Receivable					<u>524,944</u>
Total Assets					<u>2,121,824,569</u>
Less Liabilities					
Administration and Investment Advisory Fees					<u>146,932</u>
Total Liabilities					<u>146,932</u>
Net Assets					<u>\$2,121,677,637</u>
Components of Capital					
Capital (Par Value)					\$2,121,885,583
Unrealized Depreciation on Investments					(207,946)
Net Assets					<u>\$2,121,677,637</u>
Outstanding Participant Shares					<u>2,121,885,583</u>
Net Asset Value per Share					<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 December 31, 2017)

Investment Income	\$16,917,578
Expenses:	
Administration and Investment Advisory Fees	2,046,479
Administration and Investment Advisory Fees Waived	<u>(696,805)</u>
Administration and Investment Advisory Fees Net	<u>1,349,674</u>
Net Investment Income	<u>15,567,904</u>
Net Gain on Investments	8,215
Change in Net Unrealized Depreciation on Investments	<u>(334,596)</u>
Net Realized Gain and Unrealized Loss on Investments	<u>(326,381)</u>
Net Increase in Net Assets Resulting from Operations	<u>\$15,241,523</u>

## STATEMENTS OF CHANGES IN NET ASSETS

Years Ended December 31, 2017 and December 31, 2016

	<u>2017</u>	<u>2016</u>
From Investment Activities:		
Net Investment Income	\$ 15,567,904	\$ 4,602,963
Net Change in Unrealized Appreciation/(Depreciation) on Investments	(334,596)	101,896
Realized Gain on Investments	<u>8,215</u>	<u>2,910</u>
Net Increase in Net Assets Resulting from Operations	<u>15,241,523</u>	<u>4,707,769</u>
Distributions to Participants from Net Investment Income	(15,567,904)	(4,602,963)
Distributions to Participants from Net Realized Gain	(8,215)	(2,910)
Net Increase in Net Assets from Share Transactions	<u>448,229,961</u>	<u>1,483,559,517</u>
Net Increase in Net Assets	447,895,365	1,483,661,413
Net Assets:		
Beginning of Year	<u>1,673,782,272</u>	<u>190,120,859</u>
End of Year	<u>\$2,121,677,637</u>	<u>\$1,673,782,272</u>

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

## Notes to Financial Statements - December 31, 2017

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

The Florida Cooperative Liquid Assets Securities System Trust ("FLCLASS") is a common law trust established, created and authorized by an Interlocal Agreement by and among participating Florida public agencies. FLCLASS is an authorized investment pool under Section 218.415(16)(a), Florida Statutes, and was established for participating Florida agencies on April 1, 2015 under the Interlocal Agreement and commenced operations on July 15, 2015 (inception). FLCLASS is available for investment by any unit of local government within the State of Florida. The purpose of FLCLASS is to enable such units to cooperate in the investment of their available funds. FLCLASS 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 FLCLASS in the preparation of the financial statements.

FLCLASS 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

FLCLASS's investment policies do not allow for investments in derivatives and, for the year ended December 31, 2017, FLCLASS 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".

#### Distributions to Participants

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

#### Income Taxes

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

FLCLASS files tax returns annually. FLCLASS is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change.

### Note 2. Fair Value Measurements

In accordance with FASB guidance, FLCLASS 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 FLCLASS's 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 FLCLASS 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 December 31, 2017 to value FLCLASS’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 (as of December 31, 2017)**

FLCLASS Portfolio	Valuation Inputs			
	Level 1	Level 2	Level 3	Total
Investments in Securities at Value*				
Repurchase Agreements	\$ -	\$ 32,071,430	\$ -	\$ 32,071,430
Money Market Funds	55,120,171	-	-	55,120,171
Certificates of Deposit	-	41,000,000	-	41,000,000
Commercial Paper	-	1,949,151,083	-	1,949,151,083
Total	<u>\$55,120,171</u>	<u>\$2,022,222,513</u>	<u>\$ -</u>	<u>\$2,077,342,684</u>

\* For the years ended December 31, 2017 and 2016, the FLCLASS 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.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year.

**Note 3. Investments**

**Custodian**

Wells Fargo Bank, N.A. serves as the custodian for FLCLASS portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for FLCLASS’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 FLCLASS.

**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 FLCLASS.
- 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 FLCLASS’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. This 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.

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

**Investments in Securities**

Florida Statutes specify that public funds only be invested in a manner that is permitted pursuant to the laws of the State of Florida generally; Florida’s Investment of Local Government Surplus Funds Act; Florida Statutes, Chapter 218, Part IV; and the Florida Interlocal Cooperation Act of 1969. The Board of Trustees has adopted an Investment Policy that further limits the investment instruments of FLCLASS. As summarized below, FLCLASS may invest in:

1. Bills, notes and bonds issued by the U.S. Treasury and backed by the full faith and credit of the United States; obligations of any agency or instrumentality of the United States; and obligations issued by entities with liquidity support from the U.S. Government, or its agencies or instrumentalities.
2. Floating-rate and variable-rate debt obligations with interest rates that are periodically adjusted at specified intervals or whenever a benchmark rate or index changes; with maximum final maturity of 13 months (397 days) if rated below AA-, or for sovereign debt with maximum final maturity of two years (762 days) if rated AA- or higher.
3. Repurchase agreements with a termination date of 364 days or less; collateralized by U.S. Treasury obligations, federal agency securities,

- and federal instrumentality securities; and with a minimum market value, including accrued interest, of 102 percent of the dollar value of the transaction.
4. Commercial paper of corporations organized under the laws of the United States or any state thereof, including paper issued by bank holding companies and high-quality asset-backed securities, with a maturity of 365 days or less, rated in the two highest ratings categories of either Standard & Poor's, Moody's, or a comparable rating by another nationally recognized statistical rating organization ("NRSRO"), and with not more than 5% with any one issuer.
  5. Corporate bonds, notes, and other evidences of indebtedness or obligations issued by corporations organized under the laws of the United States or any state, having a remaining maturity less than or equal to 397 days; rated at least A or better by Standard & Poor's, Moody's, or a comparable rating by another NRSRO; and with not more than 5% with any one issuer.
  6. Obligations of banks, including, but not limited to: bank accounts, time deposits, certificates of deposit and banker's acceptances.
  7. Asset backed securities that are payable from pools of obligations, most of which involve consumer or commercial debts.
  8. Insurance contracts, including guaranteed investment contracts, funding agreements and annuities, and with the issuing company having an insurance financial strength rating of A+ or equivalent by a national recognized rating agency.
  9. Collateralized certificates of deposit as permitted by Florida law.
  10. FDIC insured certificates of deposit.
  11. Municipal obligations of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities, rated in one of its two highest rating categories by two or more NRSROs, with maximum exposure per municipal issuer of 5%, and maximum final maturity per municipal investment of 13 months (397 days).
  12. Foreign securities issued in U.S. dollars by issuers based outside the United States, rated at least A or better by Standard & Poor's, Moody's, or a comparable rating by another NRSRO, with not more than 5% with any one issuer, and with maximum final maturity per foreign security investment of 13 months (397 days).
  13. Mortgage-backed securities with a final maturity not exceeding 397 days from the date of purchase that are collateralized first mortgage obligations or unstructured pass-through securities and rated at least AA, Aa or the equivalent by at least two NRSROs that rate the issue; aggregate investment in mortgage-backed securities not exceeding 25% of the total portfolio; and no more than 5% of the total portfolio invested in any one issuer.
  14. No-load money market mutual funds that are registered with and regulated by the Securities and Exchange Commission that include in their investment objectives the maintenance of a stable net asset value of \$1.00, and are rated AAAM or equivalent by at least one NRSRO.

#### **Note 4. Repurchase Agreements**

Funds are released from FLCLASS's portfolio for repurchase agreements only when collateral has been wired to the custodian bank, and during the year ended December 31, 2017, FLCLASS held no uncollateralized repurchase agreements. The custodian bank reports the market value of the collateral securities to FLCLASS 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 FLCLASS may be limited. FLCLASS may use Bank of America NA, BMO Harris Bank NA, Goldman Sachs & Co, JPM Securities PLC, Merrill Lynch Pierce Fenner & Smith, RBC Capital Markets LLC, UBS Securities LLC and Wells Fargo Securities as a safekeeping agent for repurchase agreements. Interest earned on repurchase agreements as a percentage of total interest earned accounted for 7% for the year ended December 31, 2017.

#### **Note 5. Administration and Investment Advisory Fees**

Investment advisory and administration and marketing services are provided by Public Trust Advisors, LLC (Public Trust). Fees are calculated daily and paid monthly in arrears and prorated for any portion of the month in which the investment services agreement with Public Trust is in effect. 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 fifteen (15) basis points.

Fees may be waived or abated at any time, or from time to time, at the sole discretion of Public Trust. Any such waived fees may be restored by the written agreement of the Board of Trustees. Public Trust pays all fees associated with other services as mutually agreed upon with the Board of Trustees.

## Note 6. Share Transactions

Transactions in shares during the twelve months ended December 31, 2017 and 2016 for the FLCLASS portfolio were as follows:

	2017	2016
Shares sold	2,595,111,608	1,893,586,729
Shares issued on reinvestment of distributions	15,553,382	4,605,131
Shares redeemed	(2,153,435,029)	(414,632,343)
Net increase	<u>457,229,961</u>	<u>1,483,559,517</u>

At December 31, 2017, five participants held more than a 5% participation interest in FLCLASS. The holdings of these five participants is approximately 65% of the portfolio at December 31, 2017. Investment activities of these participants could have a material impact on FLCLASS.

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

Financial highlights for the years ended December 31, 2017 and December 31, 2016 and the period July 15, 2015 (Inception) through December 31, 2015 are presented as follows:

	2017	2016	2015
<b>Per Share Data</b>			
Net Asset Value - Beginning of Period	\$1.00	\$1.00	\$1.00
Net Investment Income Earned and Distributed to Shareholders	\$0.011	\$0.007	\$0.001
Net Asset Value - End of Period	\$1.00	\$1.00	\$1.00
<b>TOTAL RETURN</b>	1.142%	0.661%	0.096%
<b>RATIOS</b>			
Net Assets-End of period (\$000 Omitted)	\$2,121,678	\$1,673,782	\$190,121
Ratio of Expenses to Average Net Assets Gross	0.150%	0.149%	0.078%
Ratio of Expenses to Average Net Assets Waived	0.051%	0.066%	0.035%
Ratio of Expenses to Average Net Assets	0.099%	0.083%	0.043%
Ratio of Net Investment Income to Average Net Assets	0.251%	0.704%	0.114%

## 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 FLCLASS's financial statements. Management has determined that there were no material events that would require disclosure in FLCLASS's financial statements as of March 9, 2018.

## Note 9. Related Parties

All trustees of FLCLASS are officers of participating governments.

## BOARD OF TRUSTEES

Ms. Sharon Bock  
Clerk of the Circuit Court and Comptroller, Palm Beach County

Mr. Ken Burke, CPA  
Clerk of the Circuit Court and Comptroller, Pinellas County

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