



Texas
CLASS[®]

Texas Cooperative Liquid Assets Securities System



JUNE 30, 2015

Annual Report

Texas CLASS Rated S&P AAAm

Chairman's Letter

To the Participants of Texas CLASS:

On behalf of the seven members of the Texas CLASS Board of Trustees, its four member Advisory Board, and Public Trust Advisors, the pool administrator and portfolio manager, we are pleased to present the Audited Financials for the period ending June 30, 2015.

During the course of the past fiscal year, the U.S. monetary policy continued to impact Texas CLASS yields. However, the major headline of the year was the resiliency of the U.S. economy, which continued to show signs of steady improvement and recovery. After stumbling in the first quarter, the recent data in regard to the labor market and inflation has been strong enough for the Federal Reserve (Fed) to contemplate raising interest rates by the end of the year. Fed Chair Janet Yellen has reiterated that it is the pace, and not the timing of rate increases that matters most. While a September rate hike is not out of the question, the market is currently placing a higher probability on a move in December. The Fed remains data dependent, and could delay any such move if the economy were to falter or geopolitical events were to jeopardize momentum. For the most part, the markets are poised for the first rate increase from the Fed in almost a decade. We are cautiously optimistic that the months ahead will bring with them the proverbial "greener pastures." But if there is one thing recent economic history has taught us, it is to always expect the unexpected.

As we turn the page on another year at Texas CLASS, we take time to reflect, not on the historically low interest rates, but rather on a variety of positive developments within Texas CLASS this past year:

- In November, we announced that Texas CLASS's secure, online-transaction system "MYACCESS" is now available in a tablet version. We believe that this enhancement demonstrates our ongoing efforts to better serve our busy Participants, by extending account access abilities beyond the desktop. In the coming year, we will continue to improve service, access and conveniences.
- This past year also saw significant changes and growth to the Texas CLASS Client Services staff. Barry Howsden (Director of Fund Accounting) and Jen Gosselin (Vice President of Client Services) have continued to build their operations team with the additions of Christa Kronquist, Evan Hurley and Aaron Joseph. Their combined efforts provide the high standard of customer service, and we are grateful to have such an outstanding team in place.
- On Wednesday, February 18, 2015, Texas CLASS held its Annual Participant Meeting in Houston. The Participants meet annually to determine the number of the Trustees to be selected and to nominate and elect individuals to serve as Trustees of Texas CLASS. Congratulations to the following individuals who were duly elected to serve on the Board of Trustees; Mr. Rene Barajas (Garland I.S.D.), Ms. Cindy Brown (Denton County), Mr. Rodney Rhoades (City of McKinney), Mr. Roger Roecker (City of Friendswood) and Mr. Steve Williams (City of Conroe).
- Further congratulations to Mr. Arthur Martin (Slaton I.S.D.) and Ms. Amy Perez (Harris County), whom the Board of Trustees elected to serve on the Texas CLASS Advisory Board.
- In February 2015, Texas CLASS assets reached a new all-time high watermark, passing the \$3.9 billion dollar mark! More recently, Texas CLASS yields have started to climb, we remain cautiously optimistic that this trend will continue in the weeks and months to come.
- We remained committed to supporting the good work of the public entity associations. Texas CLASS attended and/or sponsored at annual association events for TASBO, GFOAT, TACA, CDCAT, CTAT and TML, amongst others.

As we move forward into the second half of 2015, the Texas CLASS Board of Trustees, the Texas CLASS Advisory Board, as well as the team at Public Trust Advisors, recognize that it is you, the Texas CLASS Participants, that are our greatest asset. In the coming year(s), we are committed to providing, through Texas CLASS, a safe, liquid and competitive cash management and investment option that delivers a high-level of transparency, customer support and educational value.

Respectfully,



Steve Williams
Chairman, Texas CLASS Board of Trustees

Independent Auditors' Report



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Texas Cooperative Liquid Asset Securities System (CLASS), which comprise the statement of net assets as of June 30, 2015, the statement of operations for the year then ended, the related statements of changes in net assets for the years ended June 30, 2015 and 2014, 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 audit. We conducted our audit 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 CLASS as of June 30, 2015, the results of its operations for the year then ended, and the changes in net assets for the years ended June 30, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial highlights included in Note 7 for the years from 2011 through 2013, were audited by other auditors whose report dated September 27, 2013, expressed an unmodified opinion on the financial highlights.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
August 21, 2015



An independent member of Nexia International

STATEMENT OF NET ASSETS — June 30, 2015

Investments, at value	Principal Amount	Coupon Rate	Maturity	Effective Yield	Market Value
Repurchase Agreements (8%)*					
Wells Fargo Tri-Party (4%)* (Collateralized by U.S. Government Treasury and Agency Securities with coupon rates between 1.375% and 3.5% and maturing between 04/30/2020 and 06/20/2045) Market value plus accrued interest: \$109,309,864	\$107,166,512	0.14%	07/01/15	0.14%	\$107,166,512
Wells Fargo Tri-Party (1%)* (Collateralized by U.S. Government Agency Securities with coupon rates of 3.00% and 4.00% and maturing between 07/01/2042 and 11/01/2043) Market value plus accrued interest: \$40,521,574	39,213,228	0.02	07/01/15	0.02	39,213,228
RBC Tri-Party (3%)* (Collateralized by U.S. Government Agency Securities with coupon rates between 1.925% and 6.00% and maturing between 03/01/2023 and 03/20/2065) Market value plus accrued interest: \$102,051,297	100,050,290	0.08	07/01/15	0.08	100,050,290
Cost of (\$246,430,030)					<u>246,430,030</u>
U.S. Government Treasury & Agency Securities (2%)*					
Federal Home Loan Bank Notes (2%)*	35,000,000	0.18	10/28/15	0.19	34,994,050
	35,000,000	Disc**	11/06/15	0.18	<u>34,989,714</u>
Cost of (\$69,976,069)					<u>69,983,764</u>
Certificates of Deposit (1%)*					
Federally Insured Custody Account (1%)*	35,000,000	0.18	07/01/15	0.20	<u>35,000,000</u>
Cost of (\$35,000,000)					<u>35,000,000</u>
Commercial Paper (89%)*					
ABN AMRO Funding USA LLC	40,000,000	Disc**	07/01/15	0.24	39,999,844
Anglesea Funding LLC	50,000,000	Disc**	07/01/15	0.21	49,999,790
Bedford Row Funding Corp.	50,000,000	Disc**	07/06/15	0.26	49,998,915
Commonwealth Bank of Australia	50,000,000	Disc**	07/06/15	0.26	49,998,580
Crown Point Capital Co.	40,000,000	Disc**	07/07/15	0.25	39,998,752
Crown Point Capital Co.	50,000,000	Disc**	07/07/15	0.27	49,998,440
Concord Minuteman Capital Co.	50,000,000	Disc**	07/13/15	0.27	49,996,930
ABN AMRO Funding USA LLC	30,800,000	Disc**	07/14/15	0.24	30,798,321
Institutional Secured Funding LLC	40,000,000	Disc**	07/14/15	0.34	39,997,352
Lexington Parker Capital	50,000,000	Disc**	07/14/15	0.27	49,996,690
Kells Funding LLC	50,000,000	0.27 - Var.	07/16/15	0.27	50,005,500
ABN AMRO Funding USA LLC	40,000,000	Disc**	07/20/15	0.24	39,996,664
Albion Capital LLC	49,153,000	Disc**	07/20/15	0.22	49,148,355
Albion Capital LLC	36,376,000	Disc**	07/27/15	0.20	36,371,089
Fortis Funding LLC	50,000,000	Disc**	07/30/15	0.28	49,993,750
Alpine Securitization	50,000,000	Disc**	08/03/15	0.26	49,991,025
Anglesea Funding LLC	50,000,000	Disc**	08/04/15	0.24	49,990,275
Institutional Secured Funding LLC	50,000,000	Disc**	08/04/15	0.35	49,990,275
Macquarie Bank Limited	45,000,000	Disc**	08/05/15	0.30	44,992,800

The accompanying notes are an integral part of the financial statements.

* Denotes percentage of net assets

** Denotes securities purchased at a discount from par

STATEMENT OF NET ASSETS — June 30, 2015 continued

Investments, at value (cont.)	Principal Amount	Coupon Rate	Maturity	Effective Yield	Market Value
Alpine Securitization	\$50,000,000	Disc**	08/06/15	0.26%	\$49,989,720
Alpine Securitization	50,000,000	Disc**	08/07/15	0.26	49,989,440
Macquarie Bank Limited	50,000,000	Disc**	08/10/15	0.30	49,990,885
National Australia Bank Limited	50,000,000	Disc**	08/10/15	0.18	50,002,000
ABN AMRO Funding USA LLC	40,000,000	Disc**	08/11/15	0.27	39,992,532
Credit Agricole CIB NY	50,000,000	Disc**	08/13/15	0.29	49,993,275
Credit Agricole CIB NY	50,000,000	Disc**	08/14/15	0.26	49,993,125
Old Line Funding LLC	40,000,000	Disc**	08/14/15	0.24	39,984,000
Atlantic Asset Securitization LLC	40,000,000	Disc**	08/17/15	0.25	39,988,800
Standard Chartered Bank	50,000,000	Disc**	08/17/15	0.32	49,990,000
ING (US) Funding LLC	50,000,000	Disc**	08/18/15	0.27	49,988,430
ING (US) Funding LLC	50,000,000	Disc**	08/19/15	0.27	49,987,500
Institutional Secured Funding LLC	40,000,000	Disc**	08/20/15	0.35	39,987,532
Standard Chartered Bank	50,000,000	Disc**	08/21/15	0.27	49,987,000
Bank of Tokyo-Mitsubishi UFJ Ltd.	40,000,000	Disc**	08/25/15	0.27	39,988,800
Toyota Motor Credit Corp.	50,000,000	0.23 - Var.	08/25/15	0.23	50,007,350
Atlantic Asset Securitization LLC	50,000,000	Disc**	08/26/15	0.25	49,982,580
General Electric Capital Corp.	40,000,000	Disc**	08/31/15	0.26	39,976,400
Old Line Funding LLC	30,000,000	Disc**	09/01/15	0.28	29,971,584
Caisse des Depot et Consignations	50,000,000	Disc**	09/02/15	0.27	49,987,555
Nordea Bank AB	31,230,000	Disc**	09/02/15	0.21	31,222,227
Ridgefield Funding CO LLC	35,000,000	Disc**	09/02/15	0.30	34,985,689
Ridgefield Funding CO LLC	40,000,000	Disc**	09/03/15	0.30	39,983,388
Svenska Handelsbanken AB	50,000,000	Disc**	09/09/15	0.28	49,985,205
Ridgefield Funding CO LLC	30,000,000	Disc**	09/15/15	0.30	29,983,956
Toyota Motor Credit Corp.	50,000,000	Disc**	09/15/15	0.28	49,947,140
Caisse des Depot et Consignations	50,000,000	Disc**	09/16/15	0.29	49,983,750
Bank of Tokyo-Mitsubishi UFJ Ltd.	50,000,000	Disc**	09/23/15	0.27	49,972,845
Bank of Tokyo-Mitsubishi UFJ Ltd.	40,000,000	Disc**	09/28/15	0.27	39,976,000
Nordea Bank AB	50,000,000	Disc**	10/01/15	0.25	49,979,330
Bedford Row Funding Corp.	30,000,000	Disc**	10/02/15	0.27	29,959,950
Old Line Funding LLC	50,000,000	Disc**	10/05/15	0.29	49,945,000
Svenska Handelsbanken AB	50,000,000	Disc**	10/13/15	0.30	49,975,205
Australia & New Zealand Banking Group Ltd.	50,000,000	Disc**	10/26/15	0.28	49,968,860
Bedford Row Funding Corp.	40,000,000	Disc**	11/02/15	0.28	39,946,600
Svenska Handelsbanken AB	30,000,000	Disc**	11/16/15	0.32	29,975,673
Toronto Dominion Holding (USA) Inc.	40,000,000	Disc**	11/16/15	0.25	39,967,564
Dexia Credit Local SA NY	50,000,000	Disc**	11/18/15	0.32	49,945,165
Commonwealth Bank of Australia	50,000,000	0.26 - Var.	12/02/15	0.26	50,000,000
Nordea Bank AB	50,000,000	Disc**	12/02/15	0.35	49,950,485
Chariot Funding LLC	31,000,000	Disc**	12/07/15	0.39	30,949,021
Old Line Funding LLC	25,000,000	Disc**	12/15/15	0.40	24,950,000
Cost of (\$2,712,398,812)					<u>2,712,594,908</u>

The accompanying notes are an integral part of the financial statements.

* Denotes percentage of net assets

** Denotes securities purchased at a discount from par



STATEMENT OF NET ASSETS — June 30, 2015 continued

Investments, at value (cont.)	Principal Amount	Coupon Rate	Maturity	Effective Yield	Market Value
Total Investments in Securities					
Cost of (\$3,063,804,911)					\$3,064,008,702
Other Assets					
Accrued Interest Receivable					51,862
Total Assets					<u>3,064,060,564</u>
Less liabilities					
Administration and Investment Advisory Fees					280,382
Total Liabilities					<u>280,382</u>
Net Assets					<u>\$3,063,780,182</u>
Components of capital					
Capital (Par Value)					\$3,063,576,391
Unrealized Appreciation on Investments					203,791
Net Assets					<u>\$3,063,780,182</u>
Outstanding Participant Shares					<u>3,063,576,391</u>
Net Asset Value per Share					<u>\$1.00</u>

The accompanying notes are an integral part of the financial statements.



STATEMENT OF OPERATIONS — Year Ended June 30, 2015

Investment Income	\$ 6,396,742
Expenses:	
Administration and Investment Advisory Fees	3,209,649
Administration and Investment Advisory Fees Waived	<u>(103,013)</u>
Administration and Investment Advisory Fees Net	<u>3,106,636</u>
Net Investment Income	<u>3,290,106</u>
Net Gain on Investments	1,253
Change in Net Unrealized Appreciation on Investments	<u>62,042</u>
Net Realized and Unrealized Gain on Investments	<u>63,295</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 3,353,401</u>

The accompanying notes are an integral part of the financial statements.



STATEMENTS OF CHANGES IN NET ASSETS — Years Ended June 30, 2015 and June 30, 2014

	<u>2015</u>	<u>2014</u>
From Investment Activities:		
Net Investment Income	\$ 3,290,106	\$ 2,675,810
Net Change in Unrealized Appreciation (Depreciation) on Investments	62,042	(29,693)
Realized Gain on Investments	1,253	1,431
Net Increase in Net Assets Resulting from Operations	<u>3,353,401</u>	<u>2,647,548</u>
Distributions to Participants from Net Investment Income	(3,290,106)	(2,675,810)
Distributions to Participants from Net Realized Gain	(1,253)	(1,431)
Net Increase (Decrease) in Net Assets from Share Transactions	<u>277,478,434</u>	<u>(314,858,204)</u>
Net Increase (Decrease) in Net Assets	277,540,476	(314,887,897)
Net Assets:		
Beginning of Period	<u>2,786,239,706</u>	<u>3,101,127,603</u>
End of Period	<u>\$ 3,063,780,182</u>	<u>\$ 2,786,239,706</u>

The accompanying notes are an integral part of the financial statements.



Notes to Financial Statements

June 30, 2015

Note 1. Description of Texas CLASS

Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS") is a Participant controlled trust created in accordance with the Texas Public Funds Investment Act, Section 2256.0017 and was established for participating Texas municipalities on January 1, 1996 under the trust agreement (the "Trust Agreement") and commenced operations on April 12, 1996. Texas CLASS is available for investment by Texas municipalities, school districts and public agencies. The purpose of Texas CLASS is to enable such entities to cooperate in the investment of their available funds. Texas CLASS operates like a money market mutual fund with each share valued at \$1.00.

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

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

Securities Valuation

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

Securities Transactions and Investment Income

Securities transactions are accounted for on a trade date basis. Realized gains and losses from securities transactions are recorded on a specific identification basis. Interest income is recognized on the accrual basis and includes amortization of premiums and accretion of discounts. 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

Texas CLASS's investment policies do not allow for investments in derivatives and, for the period ended June 30, 2015, Texas CLASS held no financial instruments which meet the definition of a derivative according to Financial Accounting Standards Board ("FASB") Accounting Standards Topic (ASC) 815 "Derivative Instruments and Hedging Activities".

Dividends to Participants

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

Income Taxes

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

Texas CLASS files tax returns annually. Texas 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. Texas CLASS's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

Notes to Financial Statements continued

June 30, 2015

Note 2. Fair Value Measurements

In accordance with FASB guidance, Texas 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. This 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 Texas Class'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 entity's 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.

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, 2015 to value Texas 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, 2015)

Investments in Securities at Value*	Valuation Inputs			
	Level 1	Level 2	Level 3	Total
Repurchase Agreements	\$ -	\$ 246,430,030	\$ -	\$ 246,430,030
U.S. Government Treasury & Agency Securities	-	69,983,764	-	69,983,764
Certificate of Deposits	-	35,000,000	-	35,000,000
Commercial Paper	-	2,712,594,908	-	2,712,594,908
Total	\$ -	\$ 3,064,008,702	\$ -	\$ 3,064,008,702

*For the year ended June 30, 2015, Texas CLASS 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 period.



Notes to Financial Statements continued

June 30, 2015

Note 3. Investments

Custodian

Wells Fargo Bank, N.A. serves as the custodian for Texas CLASS portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Texas 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 Texas CLASS. Texas CLASS may also use Bank of America NA, Bank of the West, Citibank NA, JPMorgan Chase Bank NA, and Union Banks NA for certificates of deposit.

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 Texas 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 Texas CLASS'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. 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.

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

Investment in Securities

Texas statutes specify investments meeting defined rating and risk criteria in which local government investment pools may invest as noted in Chapter 2256, Texas Government Code. The Board of Trustees has further limited investment instruments for the Texas CLASS portfolio. Texas CLASS may invest in:

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities with a maximum maturity of 397 days, except that certain permitted variable rate securities may be purchased with final maturities greater than 397 days, as described in Paragraph 12 (d) below;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
5. Certificates of deposit or share certificates if the certificate is issued by a depository institution that has its main office or a branch office in this state and is: (1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund



Notes to Financial Statements continued

June 30, 2015

or its successor; (2) secured by obligations that are described by Section 2256.009(a) of Chapter 2256, Texas Government Code as amended, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b), Texas Government Code, as amended; or (3) secured in any other manner and amount provided by law for deposits of the investing entity. In addition, an investment in certificates of deposit is authorized if (1) the funds are invested by an investing entity through (A) a broker that has its main office or a branch office in Texas and is selected from a list adopted by the investing entity, or (B) a depository institution that has its main office or a branch office in Texas and that is selected by the investing entity, (2) the broker or depository institution selected by the investing entity under (1) above arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity, (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (4) the investing entity appoints the depository institution selected by the investing entity under (1) above, an entity described by Section 2257.041(d) or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rules 15c3-3 (17 C.F.W. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity;

6. Repurchase agreements that comply with the Investment Act. No more than 25% of the portfolio of Texas CLASS shall be invested in term repurchase agreements and no more than 5% of the portfolio of Texas CLASS may be invested in term repurchase agreements with maturities exceeding 90 days. Repurchase agreements shall be 102% collateralized by obligations of the United States Treasury or its agencies and instrumentalities in accordance with the provisions of the Public Securities Association Master Agreement on file with the Program Administrator pertaining to repurchase agreement operating procedures;
7. A securities lending program where:
 - a. the value of securities loaned under the program is not less than 100 percent collateralized, including accrued income;
 - b. a loan made under the program allows for termination at any time;
 - c. a loan made under the program is secured by: (A) pledged securities described subsection (I) below; (B) pledged irrevocable letters of credit issued by a bank that is: (i) organized and existing under the laws of the United States or any other state; and (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or (C) cash invested in
 - i. obligations, including letters of credit, of the United States or its agencies and instrumentalities; (2) direct obligations of this state or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and (6) bonds issued, assumed, or guaranteed by the State of Israel.
 - ii. Commercial Paper pursuant to Number Nine below.
 - iii. Mutual Funds pursuant to Number 10 below; or
 - iv. Investment Pools



Notes to Financial Statements continued

June 30, 2015

- d. the terms of a loan made under the program must require that the securities being held as collateral be: (A) pledged to the investing entity; (B) held in the investing entity's name; and (C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;
 - e. a loan made under the program must be placed through: (A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or (B) a financial institution doing business in Texas; and
 - f. an agreement to lend securities must have a term of one year or less.
8. Bankers' acceptances that comply with the Investment Act;
 9. Commercial paper that complies with the Investment Act; provided that no more than 25% of the assets of Texas CLASS shall be invested in commercial paper of any one industry, except that the 25% limitation shall not apply to commercial paper of banking and financial institutions.
 10. No-load money market mutual funds that comply with the Investment Act;
 11. Guaranteed investment contracts that comply with the Investment Act;
 12. The following other requirements shall also be met:
 - a. no investments shall be made in securities denominated in a currency other than dollars of the United States of America.
 - b. the weighted average maturity of the fund will not exceed the lesser of the triple-A guidelines of a nationally recognized rating agency, or 90 days.
 - c. securities with capped coupons are not permitted.
 - d. variable rate instruments issued by United States agencies or instrumentalities with final maturities of greater than 397 days are allowed if the rate resets at least annually and is calculated with reference to a single, established money market index and the instrument can reasonably be expected to reset to or maintain its par value at all reset dates.
 13. Bonds issued, assumed or guaranteed by the State of Israel that are also backed by the full faith and credit of the United States of America.

Investments may be categorized as follows: (1) insured or registered or for which the securities are held by Texas CLASS or the custodian bank in Texas 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 Texas 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 Texas 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 Texas CLASS's portfolio for repurchase agreements only when collateral has been wired to the custodian bank, and for the period ended June 30, 2015, Texas CLASS held no uncollateralized repurchase agreements. The custodian bank reports the market value of the collateral securities to Texas 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 Texas CLASS may be limited. Texas CLASS may use BMO Harris Bank NA, 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 income earned accounted for 21% for the year ending June 30, 2015.



Notes to Financial Statements continued

June 30, 2015

Note 5. Administration and Investment Advisory Fees

Investment advisory services and administration and marketing services are provided by Public Trust Advisors, LLC (PTA). Texas CLASS's fees are calculated daily and paid monthly. The Daily Fee shall be calculated as follows: The Investment Property Value is multiplied by the Applicable Fee Rate and is divided by 365 or 366 days in the event of a leap year to equal the Daily Fee accrual. The Investment Property Value shall be based on the current day's shares outstanding. For weekend days and holidays, the shares outstanding for the previous business day will be utilized for the calculation of fees. The Applicable Fee Rate shall be determined monthly on the first business day of each month and shall be as follows:

	<u>Current Day's Shares Outstanding Balance</u>	<u>Fee %</u>
First	\$1,000,000,000	.120%
Next	\$1,000,000,000	.110%
Next	\$1,000,000,000	.100%
Next	\$ 500,000,000	.090%

Fees may be waived or abated at any time, or from time to time, at the sole discretion of the Program Administrator. Any such waived fees may be restored by the written agreement of the Board of Trustees in its sole discretion.

In the event that the Investment Property Value declines at any time to a level that would cause the Program Administrator's fee to equal an amount equal to or in excess of the remaining Investment Property Value, the fee shall be reduced to zero.

The blended fee shall never be greater than the yield to the Participants.

The fees are collected by PTA and used to pay all expenses related to Texas CLASS.

Note 6. Share Transactions

Transactions in shares during the twelve months ended June 30, 2015 and 2014 for Texas CLASS were as follows:

	<u>2015</u>	<u>2014</u>
Shares sold	\$4,877,539,565	\$3,606,089,923
Shares issued on reinvestment of distributions	3,291,224	2,716,360
Shares redeemed	<u>(4,603,352,355)</u>	<u>(3,923,664,487)</u>
Net increase / (decrease)	<u>\$ 277,478,434</u>	<u>\$ (314,858,204)</u>

At June 30, 2015, three participants held more than a 5% participation interest in Texas CLASS. The holdings of these three participants is approximately 19% of the portfolio at June 30, 2015. Investment activities of these participants could have a material impact on Texas CLASS.



Notes to Financial Statements continued

June 30, 2015

Note 7. Financial Highlights

For a Share Outstanding Throughout Each Period

	Years Ended				
	2015	2014	2013	2012	2011
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	\$0.001	\$0.002	\$0.002	\$0.002
Net Asset Value - End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
TOTAL RETURN	0.110%	0.099%	0.194%	0.196%	0.223%
RATIOS					
Net Assets-End of period (\$000 Omitted)	\$3,063,780	\$2,786,240	\$3,101,128	\$2,638,096	\$1,918,305
Ratio of Expenses to Average Net Assets Gross	0.110%	0.109%	0.116%	0.500%	0.500%
Ratio of Expenses to Average Net Assets Waived	0.004%	0.020%	0.035%	0.401%	0.364%
Ratio of Expenses to Average Net Assets	0.106%	0.089%	0.081%	0.099%	0.136%
Ratio of Net Investment Income to Average Net Assets	0.112%	0.100%	0.188%	0.208%	0.219%

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 Texas CLASS's financial statements. Management has determined that there were no material events that would require disclosure in Texas CLASS's financial statements as of August 21, 2015.

Note 9. Related Parties

All trustees of Texas CLASS are officers of participating governments.



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Harris County



815-A Brazos Street
Suite 345
Austin, TX 78701-9996
800.707.6242
www.txclass.com

