

September 26, 2011

Kathleen Saville
Chairperson

John Ireland
Executive Director

Governing Board 2011-2012
(in Alphabetical Order)

Janet Barbour
Washingtonville Central School District

Laurie Baum
Bethpage Union Free School District

Linda Carpenter
Ossining Union Free School District

Philip Cosmo
City of Ogdensburg

Shawn Cullinane
Village of Lindenhurst

Lyn Derway
Ravena-Coeymans-Selkirk
Central School District

David Fenton
Village of Potsdam

William Furlong
Cazenovia Central School District

David Grackin
Huntington Union Free School District

Loraine Ingrasci
Grand Island Central School District

Gregory Kern
Elmira City School District

Christine Romaniuk
Rockland BOCES

Kathleen Ryan
Rye City School District

Kathleen Saville
Town of Ogden

Robert Wheeling
Howells Fire District

To the Participants of the New York Cooperative Liquid Assets Securities System (NYCLASS) and the Putnam/Northern Westchester BOCES Board of Education:

As Chairperson of the NYCLASS Board of Governors, I am pleased to provide you with the cooperative's audited financial statements for the fiscal year ended June 30, 2011. In an effort to be environmentally conscious and to facilitate distribution of the audit within your organization, we are delivering the audit to you in electronic format. The audit, performed by O'Connor Davies Munns & Dobbins, LLP, reports on the cooperative's internal controls and compliance with the laws and regulations of the State of New York for the same period. I am happy to report that we have received an unqualified opinion from the auditor. The auditor also states that the internal controls over the NYCLASS operations are satisfactory.

The NYCLASS Board of Governors will review the audit for its formal acceptance at the Governing Board quarterly meeting on November 18, 2011. Once the Governing Board has accepted the audit, a copy will be sent to the lead participant, Putnam Northern Westchester BOCES, for its records.

I have forwarded this audit to you in advance so that you can meet all budget and financial reporting requirements. You are encouraged to retain the attached report in your Legal and Audit binder for future reference.

The Governing Board is committed to maintaining the high quality of service and financial integrity that you have come to expect from this investment program.

Sincerely,



Kathleen Saville
Chairperson

**Cooperative Liquid Assets
Securities System - New York
(Putnam/Northern Westchester BOCES)**

Financial Statements

June 30, 2011



Independent Auditors' Report

**The Board of Directors of the
Cooperative Liquid Assets Security System -
New York (Putnam/Northern Westchester BOCES)**

We have audited the portfolio of investments and the statement of assets, liabilities and joint value of the Cooperative Liquid Assets Securities System - New York (Putnam/Northern Westchester BOCES) ("NYCLASS") as of June 30, 2011, and the related statement of operations for the year then ended and the statements of changes in joint value for the years ended June 30, 2011 and 2010 and the selected data per dollar of joint value and ratios for the years ended June 30, 2011, 2010, 2009, 2008 and 2007. These financial statements and selected data per dollar of joint values and ratios are the responsibility of the management of NYCLASS. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NYCLASS' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2011 financial statements including the portfolio of investments referred to above present fairly, in all material respects, the financial position of NYCLASS as of June 30, 2011 and the results of its operations for the year then ended, the changes in its joint value for each of the two years in the period then ended and the selected data per dollar of joint value and ratios for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP

Harrison, New York

September 19, 2011

**Cooperative Liquid Assets Security System - New York
(Putnam/Northern Westchester BOCES)**

Portfolio of Investments

June 30, 2011

Principal Amount		Value
Repurchase Agreements - 42.2%		
\$ 104,363,926	Agreement with Goldman Sachs, 0.02%, dated 06/30/11, to be repurchased at \$104,363,984 on 07/01/11, collateralized by \$226,358,768 (original face) GNMA Mortgage Bonds 3.50% - 7.00%, due 09/15/24 - 06/15/41 (collateral value \$106,451,205)	\$ 104,363,926
120,000,000	Agreement with UBS, 0.01%, dated 06/30/11, to be repurchased at \$120,000,033 on 07/01/11, collateralized by \$97,854,100 US Treasury TIPS 2.00% due 01/15/26 (collateral value \$122,400,106)	120,000,000
	Total Repurchase Agreements (fair value \$224,363,926)	224,363,926
U.S. Treasury Securities - 38.9%		
	U.S. Treasury Bills	
10,000,000	0.19%, maturity date 10/20/11 (a)	9,994,154
20,000,000	0.14%, maturity date 09/08/11 (a)	19,994,823
	U.S. Treasury Notes	
10,000,000	5.00%, maturity date 08/15/11	10,059,339
10,000,000	1.75%, maturity date 11/15/11	10,053,559
10,000,000	0.75%, maturity date 11/30/11	10,017,167
10,000,000	1.00%, maturity date 03/31/12	10,061,416
15,000,000	1.00%, maturity date 08/31/11	15,017,651
16,000,000	0.88%, maturity date 01/31/12	16,061,015
20,000,000	1.00%, maturity date 12/31/11	20,077,501
25,000,000	1.00%, maturity date 10/31/11	25,068,034
30,000,000	1.00%, maturity date 07/31/11	30,022,892
30,000,000	1.00%, maturity date 09/30/11	30,063,714
	Total U.S. Treasury Securities (fair value \$206,559,715)	206,491,265

See notes to financial statements

**Cooperative Liquid Assets Security System - New York
(Putnam/Northern Westchester BOCES)**

Portfolio of Investments (Continued)

June 30, 2011

Principal Amount	Value
Collateralized Deposit - 18.8%	
50,000,000 JPM Chase Bank, 0.20%, due on demand	\$ 50,000,000
50,000,000 BNY Mellon Bank, 0.28%, due on demand	50,000,000
Total Collateralized Deposit (fair value \$100,000,000)	100,000,000
Total Investments - 99.9% (fair value \$530,923,641)	530,855,191
Other assets in excess of liabilities - 0.1%	568,195
Joint Value - 100.0%	\$ 531,423,386

(a) - Represents effective yield at June 30, 2011

**Cooperative Liquid Assets Security System - New York
(Putnam/Northern Westchester BOCES)**

Statement of Assets, Liabilities and Joint Value

June 30, 2011

ASSETS

Investments (fair value \$530,923,641)	\$ 530,855,191
Interest receivable	<u>619,475</u>
Total Assets	<u>\$ 531,474,666</u>

LIABILITIES AND JOINT VALUE

Management fee payable	\$ 51,189
Distributions payable	<u>91</u>
Total Liabilities	<u>51,280</u>
Joint Value	<u>531,423,386</u>
Total Liabilities and Joint Value	<u>\$ 531,474,666</u>

See notes to financial statements

**Cooperative Liquid Assets Security System - New York
(Putnam/Northern Westchester BOCES)**

Statement of Operations

Year Ended June 30, 2011

Investment Income	
Interest income	\$ 1,289,252
Expenses	
Management fee	<u>440,662</u>
Net Investment Income	848,590
Net realized gain on investments	<u>8,344</u>
Net Increase in Joint Value from Operations	<u>\$ 856,934</u>

See notes to financial statements

**Cooperative Liquid Assets Security System - New York
(Putnam/Northern Westchester BOCES)**

Statements of Changes in Joint Value

Years Ended June 30,

	2011	2010
Increase (Decrease) in Joint Value		
Operations		
Net investment income	\$ 848,590	\$ 1,657,597
Net realized gain on investments	8,344	5,714
Net Increase in Joint Value From Operations	856,934	1,663,311
Distributions to participants	(856,934)	(1,663,311)
Participants' Transactions		
Contributions	2,910,743,917	2,910,139,030
Reinvestment of distributions	858,848	1,666,270
Withdrawals	(3,052,880,043)	(2,971,719,083)
Net Decrease in Joint Value From Participants' Transactions	(141,277,278)	(59,913,783)
Total Decrease in Joint Value	(141,277,278)	(59,913,783)
Joint Value		
Beginning of year	672,700,664	732,614,447
End of year	\$ 531,423,386	\$ 672,700,664

See notes to financial statements

Cooperative Liquid Assets Securities System – New York (Putnam/Northern Westchester BOCES)

Notes to Financial Statements

1. Description of Cooperative Liquid Assets Securities System

The Cooperative Liquid Assets Securities System – New York (Putnam/Northern Westchester BOCES) (“NYCLASS”) 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 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, Putnam/Northern Westchester BOCES, acting through an appropriate fiscal officer (“Lead Fiscal Officer”) is primarily responsible for executing the provisions of the Municipal Cooperation Agreement.

2. Significant Accounting Policies

The following significant accounting policies are consistently followed by NYCLASS in the preparation of the financial statements.

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.

Valuation of Investments

NYCLASS has elected to use the amortized cost method of valuation consistent with the provisions of a 2a-7 like pool as defined by Statement No. 31 of the Governmental Accounting Standards Board (“GASB”) which provided that amortized cost approximates the fair value of a security as defined by Accounting Standards Codification (“ASC”) 820. This involves valuing a security at its cost initially and thereafter assuming a constant amortization to maturity of any discounts or premium, regardless of the impact of fluctuating interest rates on the market value of the security. This method may result in periods during which value, as determined by amortized cost, is higher or lower than the price NYCLASS would receive if it sold the security. The fair value of securities in NYCLASS can be expected to vary inversely with changes in prevailing interest rates. Investments in money market funds are valued at the current day’s closing net asset value per share.

In accordance with ASC 820-10, Fair Market Measurements and Disclosures, the various inputs that are used in determining the fair value of NYCLASS’ investments are summarized into the three broad levels listed below.

**Cooperative Liquid Assets Securities System – New York
(Putnam/Northern Westchester BOCES)**

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Valuation of Investments (continued)

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including NYCLASS’s own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, money market securities are valued using amortized cost, in accordance with the provisions of Statement No. 31 of the GASB. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

The following is a summary of the inputs used as of June 30, 2011, in valuing NYCLASS’s investments carried at cost which approximates fair value:

Description	Valuation Inputs			
	Total	Level 1	Level 2	Level 3
Repurchase Agreements	\$ 224,363,926	\$ -	\$ 224,363,926	\$ -
U.S. Treasury Securities	206,491,265	206,491,265	-	-
Collateralized Deposits	100,000,000	-	100,000,000	-
Total Investments	\$ 530,855,191	\$ 206,491,265	\$ 324,363,926	\$ -

NYCLASS did not invest in any level 3 securities during the year ended June 30, 2011.

There were no transfers between level 1 and level 2 during the year ended June 30, 2011.

Accounting for Investments

Security transactions are accounted for on the trade date. Realized gains and losses on sales of investments are calculated on an identified cost basis. Interest income, including any amortization of discount or premium, is recorded on an accrual basis. Dividend income for money market funds is recorded on ex-date.

**Cooperative Liquid Assets Securities System – New York
(Putnam/Northern Westchester BOCES)**

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Credit, Market and Interest Rate Risks

NYCLASS is exposed to various types of risks, including market risk, interest rate risk, and credit risk. Market risk is the risk in decline in value of the investments held by NYCLASS because of a number of reasons, including changes in prevailing market and interest rates, increases in defaults, increases in voluntary prepayments for investments subject to prepayment risk, and widening credit spreads. Interest rate risk is the risk associated with the effects of the fluctuations in the prevailing level of market interest rates. Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. NYCLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques.

Concentration Risk

NYCLASS does not limit the amount of its investment in any one issuer except as required to qualify as a 2a-7-like pool pursuant to GASB 31 and GASB 59.

Income Taxes

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

Distributions to Participants

Net investment income, adjusted for net realized gains or losses, is declared and distributed to participants daily. Such amounts are automatically reinvested the following business day.

Joint Value

The joint value of NYCLASS is its assets less its liabilities. The joint value represents the value of the beneficial interests of the participants in NYCLASS.

**Cooperative Liquid Assets Securities System – New York
(Putnam/Northern Westchester BOCES)**

Notes to Financial Statements

2. Significant Accounting Policies (continued)

Repurchase Agreements

NYCLASS enters into repurchase agreements whereby the seller of the security agrees to repurchase that security at a later date at a fixed price. Generally, the effect of such a transaction is that NYCLASS can invest its excess cash balances at competitive interest rates.

The custodian of NYCLASS, for the benefit of the participants, takes possession of the purchased securities in repurchase agreements as collateral. It is the policy of NYCLASS to value the collateral daily at fair value to determine that the value, including accrued interest, is at least equal to 102% of the repurchase price as required by the Cooperation Agreement. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by NYCLASS may be delayed or limited.

3. Management

NYCLASS has a services agreement with Cutwater Investor Services Corp. (“CISC”) to act as investment adviser and administrator. As investment adviser, subject to the supervision of the Lead Fiscal Officer and subject also to the requirement that all investment decisions be made by such Lead Fiscal Officer, CISC advises on permitted investments, arranges for execution of securities transactions, provides advice to the Lead Fiscal Officer on matters related to permitted investments as may be requested, prepares such information as may be required in the implementation of the valuation procedures and the computation of the joint value and the participants’ balances in NYCLASS, and prepares records and reports required by the Municipal Cooperation Agreement or applicable laws. As administrator, subject to the supervision of the Lead Fiscal Officer, CISC provides administrative services including, but not limited to, accounting and related services, joint value calculation and participant account reporting.

Effective January 1, 2011, CISC is entitled to a fee payable monthly at an annual rate of 0.20% of the average daily joint value up to \$1 billion and 0.15% of average daily joint value in excess of \$1 billion. For the period July 1, 2008 through December 31, 2010, CISC was entitled to a fee payable monthly at an annual rate of 0.22% of the average daily joint value up to \$1 billion and 0.15% of average daily joint value in excess of \$1 billion. For the period July 1, 2005 through December 31, 2007, CISC was entitled to a fee payable monthly at an annual rate of 0.24% of the average daily joint value. Fees may be waived at any time at the sole discretion of the program administrator. For the year ended June 30, 2011, CISC was entitled to fees equal to \$1,437,166 and waived fees totaling \$996,504. All other expenses related to the operations of NYCLASS are paid by CISC.

**Cooperative Liquid Assets Securities System – New York
(Putnam/Northern Westchester BOCES)**

Notes to Financial Statements

4. Letters of Credit

MBIA Inc., the parent company of CISC, has an established letter of credit for the benefit of NYCLASS with Deutsche Bank. The letter of credit is fully collateralized with U.S. Government agency securities from MBIA Inc.'s account. The letter of credit, which is in effect so long as CISC is a party to the Participation Agreement, amounted to \$10,000,000 at June 30, 2011. Fees associated with the letter of credit are borne by CISC. Any change in the amount of the letter of credit is subject to review by the Custodian. For the year ended June 30, 2011, no amounts were drawn on the letters of credit.

5. Contingencies and Commitments

In the course of business, NYCLASS enters into contracts that contain representations and warranties and which provide general indemnifications. NYCLASS's exposure, if any, under these arrangements is unknown, as this would involve future claims that may be made against NYCLASS that have not yet occurred. To date, no claims have been brought against NYCLASS for any of these provisions. Based on experience, NYCLASS expects the risk of liability to be remote.

6. Subsequent Events

Management has evaluated all subsequent transactions and events after the balance sheet date through September 19, 2011, the date on which these financial statements were issued, and except as already included in the notes to these financial statements, has determined that no additional items require disclosure.

**Cooperative Liquid Assets Security System - New York
(Putnam/Northern Westchester BOCES)**

Selected Data Per Dollar of Joint Value and Ratios

Years Ended June 30,

Selected data per dollar of joint value and ratios for the years presented are as follows:

	For the Fiscal Year Ended June 30,				
	2011	2010	2009	2008	2007
Net investment income and net realized gain on investments (1)	\$ <u>0.001</u>	\$ <u>0.002</u>	\$ <u>0.008</u>	\$ <u>0.036</u>	\$ <u>0.050</u>
Distributions to participants	\$ <u>(0.001)</u>	\$ <u>(0.002)</u>	<u>(0.008)</u>	<u>(0.036)</u>	<u>(0.050)</u>
Total Return Percentage (2)	0.13%	0.23%	0.81%	3.64%	4.99%
Ratios/Supplemental data:					
Joint value, end of period in thousands	\$ 531,423	\$ 672,701	\$ 732,614	\$ 1,081,039	\$ 1,221,460
Ratios to average joint value: (3)					
Net investment income	0.13%	0.23%	0.85%	3.56%	4.99%
Management fee expense (4)	0.07%	0.06%	0.21%	0.22%	0.24%

(1) Calculated by dividing net investment income plus realized gain on investments by the average joint value for the year.

(2) Total return assumes an initial investment at the Net Asset Value ("NAV") as of the beginning of the year, reinvestment of all dividends on a daily basis and a full withdrawal at the NAV as of the end of the year.

(3) Calculated by dividing net investment income or management fees by the average joint value for the year.

(4) If not for the voluntary waiver of management fees, the management fee expense ratio for the years ended June 30, 2011 would have been 0.21% and for the years ended June 30, 2010 and 2009 would have been 0.22%.

See independent auditors' report



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Accountants' Report on Management's Assertion

The Board of Directors of the Cooperative Liquid Assets Security System - New York (Putnam/Northern Westchester BOCES)

We have examined the accompanying management assertion about the Cooperative Liquid Assets Securities System – New York (Putnam/Northern Westchester BOCES) (“NYCLASS”) compliance with Exhibit A to the Municipal Corporation Agreement dated October 20, 1999, as amended and restated, Sections 10 and 11 of Chapter 708 Laws of 1992 and with the letter of March 10, 1993 concerning eligible investments issued to Putnam/Northern Westchester BOCES by the Assistant Deputy Comptroller of Municipal Affairs of the State of New York for the year ended June 30, 2011. The management of NYCLASS is responsible for compliance with those requirements. Our responsibility is to express an opinion on management’s assertion about NYCLASS’ compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institution of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about NYCLASS compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on NYCLASS compliance with specified requirements.

In our opinion management’s assertion that NYCLASS complied with the aforementioned requirements for the year ended June 30, 2011 is fairly stated, in all material respects.

This report is intended solely for the information and use of Participants of NYCLASS and the management of MBIA – Municipal Investors Service Corp, and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP

Harrison, New York

September 19, 2011

**Management's Assertion
Regarding Compliance with
Investment Guidelines and Procedures**

Management asserts that for the fiscal year ended June 30, 2011 Cooperative Liquid Assets Securities System – New York (Putnam/Northern Westchester BOCES) has complied with exhibit A to the Municipal Cooperation Agreement dated October 20, 1999, as amended and restated, Sections 10 and 11 of the Chapter 708 Laws of 1992 and with the letter of March 10, 1993 concerning eligible investments issued to Putnam/Northern Westchester BOCES by the Assistant Deputy Comptroller of Municipal Affairs of the State of New York.



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**Independent Auditors' Report on Communication of Internal Control Related Matters Identified
in the Audit**

**The Board of Directors of the
Cooperative Liquid Assets Security System -
New York (Putnam/Northern Westchester BOCES)**

In planning and performing our audit of the financial statements of Cooperative Liquid Assets Security System-New Yorker (Putnam/Northern Westchester BOCES) ("NYCLASS") as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered NYCLASS's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NYCLASS's internal control. Accordingly, we do not express an opinion on the effectiveness of the NYCLASS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies, in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of the participants of NYCLASS and the management of Cutwater Investor Services Corp. and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP
Harrison, New York
September 19, 2011