

Kathleen Saville

Chairperson

John Ireland

Executive Director

Governing Board 2010-2011

(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

Karen Curulla

Village of East Syracuse

Lyn Derway

Ravena-Coeymans-Selkirk CSD

John Dominsky

Village of Great Neck

David Fenton

Village of Potsdam

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

September 23, 2010

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, 2010. 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 19, 2010. 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, 2010



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, 2010, 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, 2010 and 2009 and the selected data per dollar of joint value and ratios for the years ended June 30, 2010, 2009, 2008, 2007 and 2006. 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 2010 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, 2010 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

Harrison, New York
September 23, 2010

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

Portfolio of Investments

June 30, 2010

Principal Amount		Value
Repurchase Agreements - 48.7%		
\$ 50,000,000	Agreement with Morgan Stanley, 0.005%, dated 06/30/10, to be repurchased at \$50,000,007 on 07/01/10, collateralized by \$49,813,200 US Treasury Note 3.125%, due 05/15/2019 (collateral value \$51,000,062)	\$ 50,000,000
80,000,000	Agreement with UBS, 0.02%, dated 06/30/10, to be repurchased at \$80,000,044 on 07/01/10, collateralized by \$183,367,492 (original face) GNMA Mortgage Bonds 0.00% - 15.00%, due 11/15/10 - 06/20/40 (collateral value \$81,601,157)	80,000,000
95,000,000	Agreement with Bank of America, 0.01%, dated 06/30/10, to be repurchased at \$95,000,026 on 07/01/10, collateralized by \$68,284,300 U.S. Treasury Bond 7.25%, due 8/15/2022 (collateral value \$96,900,085)	95,000,000
102,630,555	Agreement with Goldman Sachs, 0.03%, dated 06/30/10, to be repurchased at \$102,630,640 on 07/01/10, collateralized by by \$105,117,513 GNMA Mortgage Bonds 5.00% - 6.00%, due 05/15/38 - 06/15/40 (collateral value \$104,683,166)	102,630,555
	Total Repurchase Agreements (fair value \$327,630,555)	327,630,555
U.S. Treasury Securities - 36.4%		
	U.S. Cash Management	
10,000,000	0.26%, maturity date 07/15/10 (a)	9,999,021
	U.S. Treasury Bills	
6,000,000	0.40%, maturity date 12/16/10 (a)	5,988,705
6,000,000	0.17%, maturity date 09/16/10 (a)	5,997,882
8,000,000	0.48%, maturity date 04/07/11 (a)	7,970,422
10,000,000	0.14%, maturity date 07/08/10 (a)	9,999,734
12,000,000	0.34%, maturity date 02/10/11 (a)	11,975,159
15,000,000	0.25%, maturity date 11/18/10 (a)	14,985,711
15,000,000	0.19%, maturity date 10/28/10 (a)	14,990,577
15,000,000	0.18%, maturity date 08/19/10 (a)	14,996,467
15,000,000	0.14%, maturity date 08/05/10 (a)	14,998,039
15,000,000	0.19%, maturity date 07/29/10 (a)	14,997,799
16,000,000	0.23%, maturity date 09/23/10 (a)	15,991,371
20,000,000	0.16%, maturity date 08/26/10 (a)	19,995,038

See notes to financial statements

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

Portfolio of Investments

June 30, 2010

Principal Amount		Value
	U.S. Treasury Notes	
\$ 7,000,000	1.25%, maturity date 11/30/10	\$ 7,028,401
14,750,000	0.88%, maturity date 02/28/11	14,795,373
15,000,000	0.88%, maturity date 03/31/11	15,047,747
20,000,000	0.88%, maturity date 12/31/10	20,058,301
25,000,000	0.88%, maturity date 01/31/11	<u>25,082,577</u>
	Total U.S. Treasury Securities (fair value \$244,977,274)	<u>244,898,324</u>
	Collateralized Deposit - 14.9%	
100,000,000	Wachovia Bank, 0.12%, due on demand	<u>100,000,000</u>
	Total Collateralized Deposit (fair value \$100,000,000)	<u>100,000,000</u>
	Total Investments - 100.0% (fair value \$672,607,829)	672,528,879
	Other Assets in Excess of Liabilities	<u>171,785</u>
	Joint Value - 100.0%	<u>\$ 672,700,664</u>

a - Represents effective yield at June 30, 2010.

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

Statement of Assets, Liabilities and Joint Value

June 30, 2010

ASSETS

Investments (fair value \$672,607,829)	\$ 672,528,879
Interest receivable	<u>208,303</u>
Total Assets	<u><u>\$ 672,737,182</u></u>

LIABILITIES AND JOINT VALUE

Management fee payable	\$ 34,512
Distributions payable	<u>2,006</u>
Total Liabilities	<u>36,518</u>
Joint Value	<u>672,700,664</u>
Total Liabilities and Joint Value	<u><u>\$ 672,737,182</u></u>

See notes to financial statements

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

Statement of Operations

Year Ended June 30, 2010

Investment Income	
Interest income	\$ 2,095,930
Expenses	
Management fee	<u>438,333</u>
Net Investment Income	1,657,597
Net realized gain on investments	<u>5,714</u>
Net Increase in Joint Value from Operations	<u><u>\$ 1,663,311</u></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,

	2010	2009
Increase (Decrease) in Joint Value		
Operations		
Net investment income	\$ 1,657,597	\$ 8,129,708
Net realized gain on investments	5,714	86,537
Net Increase in Joint Value From Operations	1,663,311	8,216,245
Distributions to participants	(1,663,311)	(8,216,245)
Participants' Transactions		
Contributions	2,910,139,030	3,198,639,736
Reinvestment of distributions	1,666,270	8,264,365
Withdrawals	(2,971,719,083)	(3,555,328,346)
Net (Decrease) in Joint Value From Participants' Transactions	(59,913,783)	(348,424,245)
Total (Decrease) in Joint Value	(59,913,783)	(348,424,245)
Joint Value		
Beginning of year	732,614,447	1,081,038,692
End of year	\$ 672,700,664	\$ 732,614,447

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 generally accepted accounting principles 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. 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. Generally amortized cost approximates the fair value of a 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 market 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 the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 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 Governmental Accounting Standards Board. 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, 2010, in determining the fair value of NYCLASS’s investments:

Description	Valuation Inputs			
	Total	Level 1	Level 2	Level 3
Repurchase agreements	\$ 327,630,555	\$ -	\$ 327,630,555	\$ -
U.S. Treasury securities	244,977,274	-	244,977,274	-
Total investments of fair value	572,607,829	\$ -	\$ 572,607,829	\$ -
Collateralized cash deposits	100,000,000			
Total Investments	<u>\$ 672,607,829</u>			

NYCLASS did not invest in any level 3 securities during the year ended June 30, 2010.

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.

**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.

NYCLASS limits its investments in any issuer to the top two ratings issued by nationally recognized statistical organizations.

Concentration Risk

NYCLASS does not limit the amount of its investment in any one issuer.

Income Taxes

NYCLASS is not subject to federal, state or local income taxes, and accordingly no tax provision has been made. NYCLASS files tax returns annually. NYCLASS is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. NYCLASS's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service. NYCLASS recognizes the effects of tax positions only when they are more likely than not of being sustained.

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, 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 on a mark-to-market basis to determine that the value, including accrued interest, is at least equal to 102% of the repurchase price as required by the Municipal 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”), formerly known as MBIA Municipal Investors Service Corporation, 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, 2008, CISC is 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, 2010, CISC was entitled to fees equal to \$1,577,104 and waived fees totaling \$1,138,771. All other expenses related to the operations of NYCLASS are paid by CISC.

CISC employs Cutwater Asset Management Corp. (“CAMC”), formerly MBIA Capital Management Corporation, an affiliate of CISC, as the sub-adviser. All sub-advisory fees 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 and CAMC, had an established letter of credit for the benefit of NYCLASS with JPMorgan Chase. On November 25, 2009 the letter of credit with JPMorgan Chase expired. Effective November 17, 2009 a letter of credit was established 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, 2010. 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, 2010, 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 23, 2010, 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,			
	2010	2009	2008	2007
Net investment income and net realized gain on investments (1)	\$ 0.002	\$ 0.008	\$ 0.036	\$ 0.050
Distributions to participants	\$ (0.002)	(0.008)	(0.036)	(0.050)
Total Return Percentage (2)	0.23%	0.81%	3.64%	4.99%
Ratios/Supplemental data:				
Joint value, end of period in thousands	\$ 672,701	\$ 732,614	\$ 1,081,039	\$ 1,221,460
Ratios to average joint value:				
Net investment income (3)	0.23%	0.85%	3.56%	4.99%
Management fee expense (4)	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 by the average joint value for the year.

(4) Calculated by dividing management fees by the average joint value for the year.

See independent auditors' report



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, 2010. 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, 2010 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

Harrison, New York
September 23, 2010

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

Management asserts that for the fiscal year ended June 30, 2010 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.



**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, 2010, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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. 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.

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 deficiencies, significant deficiencies, or material weaknesses 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

Harrison, New York
September 23, 2010