



NEW YORK COOPERATIVE LIQUID ASSETS SECURITIES SYSTEM



Annual Report

JUNE 30, 2018

AUDITED

NYCLASS Rated 'AAAm' by S&P Global Ratings

NYCLASS[®]

Chairperson's Letter

To the Participants of NYCLASS:

On behalf of the eleven members of the NYCLASS Governing Board, the Lead Participant, and Public Trust Advisors, LLC (Public Trust), the pool administrator and investment advisor, we are pleased to present the audited financials for the period ending June 30, 2018.

As we reflect on another fiscal year in the record books, the Governing Board wishes to extend its gratitude to all NYCLASS Participants. In many ways, the past twelve months represent a breakthrough for NYCLASS. Fund participation and assets under management have steadily climbed, reaching a peak of \$1.39 billion on May 18, 2018.

Given the rise in both program participation and fund assets, the Governing Board and Public Trust committed to the strategic hiring a dedicated sales staff to extend our coverage across the entire state. The search resulted in the hiring of three additional marketers, Mr. Joel Friedman, Mr. Shawn Cullinane, and Ms. Lyn Derway, to work alongside the NYCLASS Administrator, Matt Starr. Each of these strategic hires, two of whom were prior NYCLASS Governing Board members, bring with them extensive experience in the government landscape and more than fifteen years' experience individually. This committed sales and marketing support has dramatically increased program visibility as they focus on growing relationships across New York state.

The past year has also provided a significant and much needed increase in interest rates. As was widely expected, the Federal Open Market Committee (FOMC) raised the target range for federal funds to 1.75-2.00% in June. Moreover, the FOMC is forecasting for two additional rate hikes in 2018. While the market forecasts seem to indicate slightly less optimism, the consensus is that higher interest rates will be available in the foreseeable future, good news for NYCLASS Participants statewide.

Lastly, if you have not yet visited the newly released NYCLASS website, I encourage you to do so at your earliest convenience. The Marketing Team over at the Public Trust worked tirelessly to create an enhanced user experience online. The Board believes that the new site introduces an even more convenient and transparent view into the investment program you know and trust.

As we continue into the second half of 2018, the entire team at NYCLASS remains devoted to providing an unparalleled level of service to each of the more than 400 active Participants that make up this great program. The extraordinary capabilities and local knowledge of our staff paired with the character, experience, and wisdom of our clients makes sitting on this Board rewarding on both a personal and professional level.

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

Respectfully,

A handwritten signature in cursive script that reads "Robert A. Wheeling".

Robert Wheeling
Chairman, NYCLASS Governing Board

Independent Auditors' Report



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of New York Cooperative Liquid Assets Securities System (NYCLASS), which comprise the statement of net assets as of June 30, 2018, the statement of operations for the year then ended, the related statements of changes in net assets for the years ended June 30, 2018 and 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYCLASS as of June 30, 2018, the results of its operations for the year then ended, and the changes in its net assets for the years ended June 30, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial highlights included in Note 7 for the years from 2014 through 2016, were audited by other auditors whose report dated August 30, 2016, expressed an unmodified opinion on the financial highlights.

The Chairperson's Letter has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



CliftonLarsonAllen LLP

Denver, Colorado
August 24, 2018



STATEMENT OF NET ASSETS – JUNE 30, 2018

INVESTMENTS, AT VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Fair Value
Repurchase Agreements (17%)*					
RBC Capital Markets LLC Tri-Party (6%)* (Collateralized by U.S. Treasury Obligations with coupon rates between 2.00% and 3.375% and maturing between 05/31/2024 and 05/15/2044.) Market value plus accrued interest: \$77,199,169	\$75,685,417	2.03%	07/02/18	2.03%	\$75,685,417
BMO Harris Tri-Party (4%)* (Collateralized by U.S. Treasury Obligations with coupon rates between 0.00% and 5.00% and maturing between 07/15/2018 and 08/15/2047.) Market value plus accrued interest: \$53,546,972	52,496,992	2.05	07/02/18	2.05	52,496,992
Bank of America/Merrill Lynch Tri-Party (2%)* (Collateralized by a U.S. Treasury Obligation with a coupon rate of 4.00% and maturing on 08/15/2018.) Market value plus accrued interest: \$27,909,000	27,361,712	2.10	07/02/18	2.10	27,361,712
JP Morgan Tri-Party (4%)* (Collateralized by U.S. Treasury Obligations with coupon rates between 1.625% and 6.625% and maturing between 05/15/2021 and 02/15/2027.) Market value plus accrued interest: \$51,050,106	50,000,000	1.90	07/03/18	1.90	50,000,000
Wells Fargo Bank, N.A. (1%)* (Collateralized by a U.S. Government Mortgage Obligation with a coupon rate of 3.50% and maturing on 11/01/2043.) Market value plus accrued interest: \$7,823,568	7,670,165	1.06	07/02/18	1.06	7,670,165
Cost of (\$213,214,286)					213,214,286
U.S. Government Treasury Securities (64%)*					
Treasury Bill	50,000,000	Disc**	07/05/18	1.69	49,986,650
Treasury Bill	40,000,000	Disc**	07/12/18	1.67	39,975,964
Treasury Bill	33,000,000	Disc**	07/19/18	1.71	32,968,993
Treasury Bill	20,000,000	Disc**	07/26/18	1.64	19,974,126
Treasury Note/Bond	10,000,000	2.08 - Var.	07/31/18	2.13	10,002,166
Treasury Note/Bond	20,000,000	1.38	07/31/18	1.38	19,990,626
Treasury Bill	20,000,000	Disc**	08/02/18	1.65	19,966,578
Treasury Bill	15,000,000	Disc**	08/09/18	1.73	14,969,324
Treasury Bill	15,000,000	Disc**	08/16/18	1.91	14,963,903
Treasury Bill	20,000,000	Disc**	08/23/18	1.86	19,944,450
Treasury Bill	20,000,000	Disc**	08/30/18	1.84	19,936,152
Treasury Bill	15,000,000	Disc**	09/06/18	1.88	14,946,606
Treasury Note/Bond	10,000,000	1.00	09/15/18	1.00	9,980,469
Treasury Bill	20,000,000	Disc**	09/20/18	1.93	19,913,792
Treasury Bill	20,000,000	Disc**	09/27/18	1.93	19,905,770
Treasury Bill	15,000,000	Disc**	10/04/18	1.95	14,923,734
Treasury Note/Bond	20,000,000	0.88	10/15/18	0.88	19,935,938

* Denotes percentage of net assets ** Denotes securities purchased at a discount from par
The accompanying notes are an integral part of these financial statements

STATEMENT OF NET ASSETS – JUNE 30, 2018

INVESTMENTS, AT VALUE

	Principal Amount	Coupon Rate	Maturity	Effective Yield	Fair Value
Treasury Bill	\$20,000,000	Disc**	10/18/18	1.99%	\$ 19,881,358
Treasury Bill	20,000,000	Disc**	10/25/18	2.03	19,873,862
Treasury Note/Bond	10,000,000	1.75	10/31/18	1.75	9,991,016
Treasury Note/Bond	15,000,000	2.08 - Var.	10/31/18	2.12	15,012,297
Treasury Bill	25,000,000	Disc**	11/01/18	2.03	24,829,770
Treasury Bill	30,000,000	Disc**	11/08/18	2.05	29,782,470
Treasury Bill	30,000,000	Disc**	11/15/18	2.08	29,769,939
Treasury Note/Bond	10,000,000	1.25	11/15/18	1.25	9,969,922
Treasury Bill	35,000,000	Disc**	11/29/18	2.07	34,699,238
Treasury Note/Bond	20,000,000	1.25	11/30/18	1.25	19,931,250
Treasury Bill	25,000,000	Disc**	12/06/18	2.11	24,774,798
Treasury Bill	20,000,000	Disc**	12/13/18	2.09	19,811,942
Treasury Note/Bond	20,000,000	1.25	12/15/18	1.25	19,922,656
Treasury Bill	20,000,000	Disc**	12/20/18	2.12	19,804,798
Treasury Note/Bond	15,000,000	1.50	12/31/18	1.50	14,950,782
Treasury Note/Bond	15,000,000	2.05 - Var.	01/31/19	2.09	15,017,765
Treasury Note/Bond	20,000,000	1.38	02/28/19	1.38	19,886,718
Treasury Note/Bond	10,000,000	1.98 - Var.	04/30/19	2.02	10,010,183
Treasury Note/Bond	10,000,000	1.97 - Var.	07/31/19	2.01	10,010,577
Treasury Note/Bond	20,000,000	1.96 - Var.	10/31/19	2.00	20,015,016
Treasury Note/Bond	25,000,000	1.91 - Var.	01/31/20	1.95	24,996,660
Cost of (\$775,269,353)					<u>775,228,258</u>
Total Investments in Securities					988,442,544
Cost of (\$988,483,639)					
Deposit Balances in Custodian Banks (19%)*					
Santander Bank (5%)*	55,326,305	1.60	07/02/18	1.60	55,326,305
TD Bank (12%)*	150,612,809	1.90	07/02/18	1.90	150,612,809
Citizens Bank (2%)*	25,104,338	2.00	07/02/18	2.00	25,104,338
					<u>231,043,452</u>
Other Assets					
Accrued Interest Receivable					842,744
Total Assets					<u>1,220,328,740</u>
Less Liabilities					
Administration and Investment Advisory Fees					127,661
Total Liabilities					<u>127,661</u>
Net Assets					<u>\$1,220,201,079</u>
Components of Capital					
Capital (Par Value)					\$1,220,242,174
Unrealized Depreciation on Investments					(41,095)
Net Assets					<u>\$1,220,201,079</u>
Outstanding Participant Shares					<u>1,220,242,174</u>
Net Asset Value per Share					<u>\$1.00</u>

* Denotes percentage of net assets ** Denotes securities purchased at a discount from par
The accompanying notes are an integral part of these financial statements

STATEMENT OF OPERATIONS

(Year Ended June 30, 2018)

Investment Income	\$13,271,464
Expenses:	
Administration and Investment Advisory Fees	<u>1,132,898</u>
Net Investment Income	<u>12,138,566</u>
Net Gain on Investments	591
Change in Net Unrealized Appreciation on Investments	<u>69,148</u>
Net Realized Gain and Unrealized Gain on Investments	<u>69,739</u>
Net Increase in Net Assets Resulting from Operations	<u>\$12,208,305</u>

STATEMENT OF CHANGES IN NET ASSETS

(Years Ended June 30, 2018 and June 30, 2017)

	2018	2017
From Investment Activities:		
Net Investment Income	\$12,138,566	\$2,742,417
Net Change in Unrealized Appreciation (Depreciation) on Investments	69,148	(185,482)
Realized Gain on Investments	591	4,443
Net Increase in Net Assets Resulting from Operations	<u>12,208,305</u>	<u>2,561,378</u>
Distributions to Participants from Net Investment Income	(12,138,566)	(2,742,417)
Distributions to Participants from Net Realized Gain	(591)	(4,443)
Net Increase in Net Assets from Share Transactions	<u>549,332,468</u>	<u>334,848,282</u>
Net Increase in Net Assets	549,401,616	334,662,800
Net Assets:		
Beginning of Period	<u>670,799,463</u>	<u>336,136,663</u>
End of Period	<u>\$1,220,201,079</u>	<u>\$670,799,463</u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies

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

In 2016 NYCLASS began offering a specially designed sub-account feature for active NYCLASS Participants: NYCLASS PLUS+ Term ("Term Series"). The Term Series product is designed to complement the daily liquidity of the NYCLASS Government Fund by offering a longer dated fixed income investment. Each Term Series subaccount established by a Participant will constitute a separate series apart from any such subaccount established by other Participants and the main NYCLASS fund. The Term Series activity is not included in this annual report.

NYCLASS is rated AAAM by Standard and Poor's as of March 27, 2018.

Use of Estimates

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

Securities Valuation

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

Securities Transactions and Investment Income

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

The amortization of premium and accretion of discount accrual method utilized is straight line and it is deemed that there is no significant difference compared to the effective interest method.

Derivative Instruments

The Cooperative's investment policies do not allow for investments in derivatives and, for the period ended June 30, 2018, the Cooperative held no financial instruments which meet the definition of a derivative according to Financial Accounting Standards Board ("FASB") Accounting Standards Topic (ASC) 815 "Derivative Instruments and Hedging Activities".

Dividends to Participants

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

Income Taxes

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

Note 2. Fair Value Measurements

In accordance with FASB guidance, the Cooperative utilizes ASC 820 "Fair Value Measurement and Disclosure" to define fair value, establish a framework for measuring fair value and expand disclosure requirements regarding fair value measurements. ASC 820 does not require new fair value measurements, but is applied to the extent that other accounting pronouncements require or permit fair value measurements. The standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. Various inputs are used in determining the value of the Cooperative's investments defined pursuant to this standard.

These inputs are summarized into three broad levels:

- Level 1 – Quoted prices in active markets for identical securities.
- Level 2 – Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others. Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and are generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S government agency securities, corporate securities and commercial paper.
- Level 3 – Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs are inputs that reflect the reporting entities own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

There have been no significant changes in valuation techniques used in valuing any such positions held by the Cooperative since the beginning of the fiscal year. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used as of June 30, 2018 to value the Cooperative’s investments in securities and other financial instruments is included in the “Valuation Inputs Summary” and “Level 3 Valuation Reconciliation of Assets” (if applicable) as noted below.

Valuation Inputs Summary (for the fiscal period ended June 30, 2018)

Investments in Securities at Value*	Valuation Inputs			
	Level 1	Level 2	Level 3	Total
Repurchase Agreements	\$ -	\$213,214,286	\$ -	\$213,214,286
U.S. Government Treasury Securities	-	775,228,258	-	775,228,258
Total	\$ -	\$988,442,544	\$ -	\$988,442,544

* For the year ended June 30, 2018 the NYCLASS Portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value is not applicable.

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

Note 3. Deposits and Investments

Deposits

The Cooperative has received rulings from the Federal Deposit Insurance Corporation that deposits made by the Cooperative are actually the deposits of the participants and thus each participant in the Cooperative is insured for its proportionate share of any deposit, up to the limit of \$250,000 for the participant’s accounts in the custodian bank and its pro rata share of the Cooperative’s deposits.

At June 30, 2018, the deposit balances at the custodian banks were \$231,043,452 for the NYCLASS portfolio. As a result, approximately 19% of the total assets held by the NYCLASS portfolio are concentrated at three custodian banks - Santander Bank, TD Bank and Citizens Bank, N.A.

Interest earned on bank deposit investment vehicles as a percentage of total interest earned accounted for 37% on the NYCLASS portfolio for the year ending June 30, 2018. All portfolio holdings are collateralized in accordance with General Municipal Law (GML) Section 10.

Custodian

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

Risk Disclosure

The portfolios are subject to the following risks:

- Counterparty Risk – Counterparty risk is the risk that the counterparty or a third party will not fulfill its obligation to the Cooperative.
- Interest Rate Risk – Interest rate risk is the risk that the value of fixed-income securities will generally decline as prevailing interest rates rise, which may cause the Cooperative's NAV to likewise decrease, and vice versa.
- Market Risk – Market risk is the daily potential for an investor to experience losses from fluctuations in securities prices. Market risk cannot be diversified away.
- Credit Risk – Credit Risk is the risk an issuer will be unable to make principal and interest payments when due, or will default on its obligations.

Investment in Securities

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

- Any security issued by, fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment.
- Obligations of the State of New York.
- Obligations issued pursuant to section 24.00 or 25.00 of the local finance law (with the approval of the State Comptroller) by any municipality, school district or district corporation not participating in the Cooperative.
- Special time deposit accounts in, or certificates of deposit issued by, a bank or trust company located and authorized to do business in the State of New York, collateralized in accordance with the provisions of General Municipal Law, Section 10, or in accordance with all of the following conditions:
 1. The moneys are invested through a bank or trust company located and authorized to do business in New York.
 2. The bank or trust company arranges for the deposit of moneys in certificates of deposit in one or more banking institutions, as defined by section nine-r of the banking law, for the account of NYCLASS.
 3. The full amount of the principal and accrued interest of each such certificate of deposit must be insured by the Federal Deposit Insurance Corporation.
 4. The bank or trust company acts as custodian for NYCLASS with respect to such certificates of deposit issued for NYCLASS's account.
 5. At the same time that NYCLASS's moneys are deposited and the certificates of deposit are issued for the account of NYCLASS, the bank or trust company receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of the moneys invested by NYCLASS through the bank or trust company.

Special time deposits may be maintained only with, and certificates of deposits may be purchased only from, creditworthy banks and trust companies.

- Repurchase agreements and tri-party repurchase agreements with member banks of the Federal Reserve System and/or dealers in U.S. Government Securities which have a short term issuer credit rating (actual or imputed) of at least A-1 by Standard & Poor's.

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

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

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

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

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

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

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

TRA's shall not exceed 30 calendar days.

A maximum of 10% of the portfolio with any one dealer.

For TRA's with maturities of more than 5 business days: A maximum of 5% of the portfolio. TRA's shall not exceed 30 calendar days.

TRA's shall fulfill all requirements of the 1996 version of The Bond Market Association master repurchase agreement. The Repurchase Agreements between NYCLASS and the various approved counterparties require that the aggregate market value of all Purchased Securities from any particular counterparty be at least 102% (the "Margin") of the aggregate Purchase Price of the Purchased Securities.

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

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

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

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

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

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

Note 4. Repurchase Agreements

Funds are released from the Cooperative's portfolios for repurchase agreements only when collateral has been wired to the custodian bank, and for the period ended June 30, 2018, the Cooperative held no uncollateralized repurchase agreements. The custodian bank reports the market value of the collateral securities to the Cooperative at least on a weekly basis. If the seller of the agreement defaults and the value of the collateral declines, the immediate realization of the full amount of the agreement by the Cooperative may be limited. NYCLASS may use Bank of America N.A., BMO Harris Bank, N.A., Goldman Sachs & Co., JPM Securities PLC, Merrill Lynch Pierce Fenner & Smith, RBC Capital Markets LLC, UBS Securities LLC and Wells Fargo Securities as a safekeeping agent for repurchase agreements. Interest earned on repurchase agreements as a percentage of total interest earned accounted for 33% on the NYCLASS portfolio for the year ending June 30, 2018.

Note 5. Administration and Investment Advisory Fees

Investment advisory services, administration and marketing services are provided by Public Trust Advisors, LLC. Cooperative fees are calculated daily and paid monthly. The fee shall be at an annual rate equal to 0.12% (12 basis points) of the net assets of the previously closed period (i.e. Thursday's net asset figure is utilized as the basis for the fee calculation for Friday, Saturday and Sunday. The methodology holds true for holiday days as well that fall on a Monday through Friday) of the portfolio. Under the service agreement with Public Trust Advisors, LLC the fees collected are used to pay all expenses related to the Cooperative. Fees may be waived at any time at the sole discretion of the program administrator.

Note 6. Share Transactions

Transactions in shares during the twelve months ended June 30, 2018 and 2017 for the NYCLASS portfolio were as follows:

	2018	2017
Shares sold	2,411,405,206	1,558,879,481
Shares issued on reinvestment of distributions	12,138,723	2,742,198
Shares redeemed	(1,889,410,995)	(1,222,344,907)
Exchanges In	15,199,534	16,593,189
Exchanges Out	-	(21,021,679)
Net increase	<u>549,332,468</u>	<u>334,848,282</u>

At June 30, 2018, one participant held more than a 5% participation interest in the Cooperative. The holdings of this participant is approximately 6% of the portfolio at June 30, 2018. Investment activities of these participants could have a material impact on the Cooperative.

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

	NYCLASS Years Ended				
	2018	2017	2016	2015	2014
Per Share Data					
Net Asset Value - Beginning of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Net Investment Income Earned and Distributed to Shareholders	\$0.013	\$0.005	\$0.002	\$0.000	\$0.000
Net Asset Value - End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
TOTAL RETURN	1.210%	0.454%	0.159%	0.035%	0.031%
RATIOS					
Net Assets-End of period (\$000 Omitted)	\$1,220,201	\$670,799	\$336,137	\$181,688	\$186,040
Ratio of Expenses to Average Net Assets Gross	0.120%	0.120%	0.120%	0.120%	0.120%
Ratio of Expenses to Average Net Assets Waived	0.000%	0.000%	0.000%	0.022%	0.049%
Ratio of Expenses to Average Net Assets	0.120%	0.120%	0.120%	0.098%	0.071%
Ratio of Net Investment Income to Average Net Assets	1.282%	0.487%	0.188%	0.035%	0.032%

Note 8. Subsequent Events

In accordance with the provisions set forth in ASC 855-10, Subsequent Events, Management has evaluated the possibility of subsequent events existing in the Cooperative's financial statements. Management has determined that there were no material events that would require disclosure in the Cooperative's financial statements as of August 24, 2018.

Note 9. Related Parties

All Trustees of NYCLASS are officers of participating governments.

BOARD OF TRUSTEES

Ms. Laurie Baum

District Treasurer, Bethpage Union Free School District

Mr. John Giordano

Village Administrator, Incorporated Village of Lynbrook

Mr. David Gleason

Executive Director of Business and Operations, Rockland BOCES

Mr. Timothy Hilker

Assistant Superintendent for Business, Saratoga Springs City School District

Mr. John Ireland

Executive Director

Ms. Karen Magara

Assistant Superintendent for Finance and Operations, Salamanca City Central School District

Ms. Lori Queor

The Lead Agent

Village Clerk-Treasurer, Village of Potsdam

Ms. Deborah Rutt

Treasurer, Port Jervis City School District

Mr. Nick Silvaroli

Assistant Superintendent of Schools, Pioneer Central School District

Mr. Stephen Tibbetts

Assistant Superintendent for Business, Southern Westchester BOCES

Mr. Robert Wheeling, Chairperson

District Treasurer, Howells Fire District

Mr. Barry Yette

Business Administrator, South Lewis Central School District

The logo for NYCLASS, featuring the word "NYCLASS" in a large, blue, serif font with a registered trademark symbol (®) to the upper right.

717 17th Street, Suite 1850
Denver, CO 80202
T (303)864-7474 (Denver Metro)
T (877)311-0219
F (877)311-0220
www.newyorkclass.org