



\$24,535,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REFUNDING REVENUE BONDS
(ONEIDA HERKIMER MADISON ISSUE),
SERIES 2016

Dated: Date of Delivery

Due: As shown on the inside cover

Payment and Security: The Series 2016 Bonds (as defined herein) will be special obligations of the Dormitory Authority of the State of New York ("DASNY") payable solely from and secured by a pledge of certain payments to be made by the Board of Cooperative Educational Services for the Sole Supervisory District of Oneida, Herkimer and Madison Counties ("OHM BOCES") pursuant to an Amended and Restated Lease and Agreement, dated as of February 10, 2016 (the "Agreement") between DASNY and OHM BOCES and all funds and accounts (except the Arbitrage Rebate Fund) authorized under DASNY's Master BOCES Program Lease Revenue Bond Resolution, adopted August 15, 2001, as amended and supplemented (the "Master Resolution"), and established by DASNY's Series Resolution authorizing up to \$34,000,000 Master BOCES Program Lease Refunding Revenue Bonds (Oneida Herkimer Madison Issue), Series 2016, adopted February 10, 2016 (the "Series 2016 Resolution" and, together with the Master Resolution, the "Resolutions").

The Agreement, which is a general obligation of OHM BOCES, requires OHM BOCES to pay, or cause to be paid, amounts sufficient to pay the principal and Redemption Price of and interest on the Series 2016 Bonds as such payments become due (the "Basic Rent"), as well as additional rental fees and expenses of DASNY and the Trustee (collectively with the Basic Rent, the "Rentals"). Payment of OHM BOCES' obligations under the Agreement shall be made pursuant to the provisions of the Act (as hereinafter defined) which provides that the Comptroller of the State of New York shall deduct from any State funds payable to OHM BOCES an amount equal to the amount payable by OHM BOCES to DASNY under the Agreement for the ensuing school year. To secure its payment of all of the Rentals due under the Agreement, including the Basic Rent, OHM BOCES will assign and pledge to DASNY a portion of any and all public funds apportioned by the State of New York (the "State") to OHM BOCES sufficient to pay such amounts (the "Pledged Revenues"). The Series 2016 Bonds will be secured by the pledge and assignment to the Trustee of the Basic Rent payments to be paid by OHM BOCES to DASNY under the Agreement and DASNY's interest in the Pledged Revenues. The apportionment of State aid is based on a statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to OHM BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2016 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS."

OHM BOCES does not levy or collect taxes. The component school districts of OHM BOCES, however, are required to levy taxes to pay their allocable share of OHM BOCES' administrative expenses, including the payment of each component school district's proportionate share of the amount due from OHM BOCES to DASNY under the Agreement. See "PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES" and "PART 5 – OHM BOCES."

The Series 2016 Bonds will not be a debt of the State of New York nor will the State be liable thereon. DASNY has no taxing power.

Description: The Series 2016 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due February 15, 2017 and each August 15th and February 15th thereafter) on the Series 2016 Bonds will be payable by check mailed to the registered owners thereof and principal will be payable at the corporate trust office of The Bank of New York Mellon, New York, New York, Trustee and Paying Agent. The Series 2016 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2016 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2016 Bonds, payments of the principal and Redemption Price of and interest on the Series 2016 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 – THE SERIES 2016 BONDS – Book-Entry Only System" herein.

Redemption: The Series 2016 Bonds are subject to redemption prior to maturity as more fully described herein.

Special Redemption: The Series 2016 Bonds are subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of DASNY, on any interest payment date, from the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project.

Tax Matters: In the opinions of each of Hodgson Russ LLP and Golden Holley James LLP, Co-Bond Counsel to DASNY, under current law and assuming continuing compliance by DASNY and OHM BOCES with certain tax covenants and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, with respect to the Series 2016 Bonds, and the accuracy and completeness of certain representations by DASNY and OHM BOCES, interest on the Series 2016 Bonds will not be included in the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Code. Such interest is, however, taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel are further of the opinion that interest on the Series 2016 Bonds is exempt under existing laws from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York and the City of Yonkers). Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds. See "PART 11 – TAX MATTERS" herein regarding certain other tax considerations.

The Series 2016 Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2016 Bonds may be subject to prior sale or may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by DASNY'S Co-Bond Counsel, Hodgson Russ LLP, Albany, New York and Golden Holley James LLP, New York, New York, and to certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Law Offices of Joseph C. Reid, P.A., New York, New York and for OHM BOCES by its special counsels, Orrick, Herrington & Sutcliffe LLP, New York, New York, and Ferrara, Fiorenza, Larrison, Barrett, & Reitz, P.C., Syracuse, New York. DASNY expects to deliver the Series 2016 Bonds in definitive form in New York, New York, on or about April 7, 2016.

RBC Capital Markets

\$24,535,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REFUNDING REVENUE BONDS
(ONEIDA HERKIMER MADISON ISSUE),
SERIES 2016

<u>Due</u> <u>August 15,</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> ⁽¹⁾	<u>Due</u> <u>August 15,</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> ⁽¹⁾
2017	\$1,270,000	2.00%	0.74%	64990BXE8	2023	\$2,080,000	5.00%	1.86%	64990BXL2
2018	1,690,000	3.00	0.90	64990BXF5	2024	2,185,000	5.00	2.02	64990BXM0
2019	1,745,000	4.00	1.12	64990BXC3	2025	2,290,000	5.00	2.18	64990BXN8
2020	1,815,000	4.00	1.33	64990BXH1	2026	2,405,000	5.00	2.33	64990BXP3
2021	1,890,000	5.00	1.51	64990BXJ7	2027*	2,525,000	5.00	2.45	64990BXQ1
2022	1,985,000	5.00	1.68	64990BKK4	2028*	2,655,000	5.00	2.56	64990BXR9

⁽¹⁾ Copyright 2009 American Bankers Association. CUSIP numbers have been assigned by an organization not affiliated with DASNY and are included solely for the convenience of the holders of the Series 2016 Bonds. Neither DASNY nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2016 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2016 Bonds as a result of various subsequent actions including but not limited to, a refunding in whole or part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2016 Bonds.

* Priced at the stated yield to August 15, 2026, the first optional redemption date.

No dealer, broker, salesperson or other person has been authorized by DASNY, OHM BOCES or the Underwriter to give any information or to make any representations with respect to the Series 2016 Bonds, other than the information and representations contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by DASNY, OHM BOCES or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by OHM BOCES and other sources that DASNY believes are reliable. Neither DASNY nor the Underwriter guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation of DASNY or of the Underwriter.

OHM BOCES has reviewed the parts of this Official Statement describing its BOCES, Estimated Sources and Uses of Funds, Continuing Disclosure and "PART 5 – OHM BOCES." OHM BOCES shall certify as of the dates of sale and delivery of the Series 2016 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material facts necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. OHM BOCES make no representation as to the accuracy or completeness of any other information included in this Official Statement.

The New York State Department of Education (the "Department") has reviewed the parts of this Official Statement relating to OHM BOCES generally and the Department's participation in the transaction contemplated herein. The Department shall certify as of the date of delivery of the Series 2016 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material facts necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Department makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

References in this Official Statement to the Act, the Resolutions, the Agreement and the Agreement of Lease (as defined herein) do not purport to be complete. Refer to the Act, the Resolutions, the Agreement and the Agreement of Lease for full and complete details of their provisions. Copies of the Resolutions, the Agreement and the Agreement of Lease are on file with DASNY and the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance and all material in this Official Statement, including its appendices, must be considered in its entirety.

Under no circumstances shall the delivery of this Official Statement, or any sale made after its delivery, create any implication that the affairs of DASNY or OHM BOCES have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2016 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2016 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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DORMITORY AUTHORITY - STATE OF NEW YORK
GERRARD P. BUSHELL- PRESIDENT

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ALFONSO L. CARNEY, JR., ESQ. – CHAIR

OFFICIAL STATEMENT RELATING TO
\$24,535,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REFUNDING REVENUE BONDS
(ONEIDA HERKIMER MADISON ISSUE),
SERIES 2016

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover and the inside cover page and appendices, is to provide information about the Dormitory Authority of the State of New York (“DASNY”) and the Board of Cooperative Educational Services for the Sole Supervisory District of Oneida, Herkimer and Madison Counties (the “OHM BOCES”) in connection with the offering by DASNY of \$24,535,000 aggregate principal amount of its Master BOCES Program Lease Refunding Revenue Bonds (Oneida Herkimer Madison Issue), Series 2016 (the “Series 2016 Bonds”).

The following is a description of certain information concerning the OHM BOCES, the Series 2016 Bonds, DASNY and the Refunding Plan (as hereafter described). A more complete description of such information and additional information that may affect decisions to invest in the Series 2016 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2016 Bonds are being issued and proceeds thereof will be used together with other available moneys to (i) refund certain outstanding Master BOCES Program Lease Revenue Bonds as identified in “PART 6 - THE REFUNDING PLAN” (the “Refunded Bonds”) issued by DASNY pursuant to its Master BOCES Program Lease Revenue Bond Resolution, adopted August 15, 2001, as amended and supplemented (the “Master Resolution”); (ii) provide a Reserve Fund Facility for the Debt Service Reserve Fund for the Series 2016 Bonds; and (iii) pay a portion of the Costs of Issuance of the Series 2016 Bonds. See “PART 6 - THE REFUNDING PLAN” and “PART 7 – ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Act empowers DASNY, among other things, to issue its bonds for the purpose of financing or refinancing the acquisition, construction or improvement of “board of cooperative educational services school facilities.” The Act further authorizes any board of cooperative educational services in the State (a “BOCES”), when authorized by its voters, to convey a leasehold interest in property owned by such BOCES to DASNY and to lease the property back from DASNY for purposes of financing such BOCES’ school facilities. Consistent with the Act, OHM BOCES previously leased certain property on which the refinanced school facilities are located (the

“Project”) to DASNY in connection with the issuance of the Refunded Bonds pursuant to an Agreement of Lease (the “Agreement of Lease”), and DASNY subleased the Project to OHM BOCES pursuant to a Lease and Agreement (the “Agreement”). The Agreement of Lease and the Agreement are being amended and restated in connection with the issuance of the Series 2016 Bonds. The Refunded Bonds will be refunded with proceeds of the Series 2016 Bonds and other monies available to the BOCES.

Upon the refunding of the Refunded Bonds, OHM BOCES will only have the Series 2016 Bonds outstanding. See “PART 6 – THE REFUNDING PLAN” and “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS – Issuance of Additional Bonds.”

The Series 2016 Bonds will be issued pursuant to the Act, the Master Resolution and the Series 2016 Resolution. The Master Resolution and the Series 2016 Resolution are herein collectively referred to as the “Resolutions.”

The Master Resolution authorizes the issuance of multiple Series of Bonds for BOCES throughout the State. Each Series of Bonds is to be separately secured by (i) the funds and accounts, including a debt service reserve fund, but excluding the Arbitrage Rebate Fund, established pursuant to a Series Resolution, (ii) certain payments to be made under an agreement to be executed by and between DASNY and a BOCES for whose benefit the Series of Bonds is to be issued and (iii) the pledge and assignment by such BOCES in its agreement of a portion of State aid payable to such BOCES sufficient to pay the amounts due under such agreement. Neither the funds and accounts established under any Series Resolution nor any agreement nor the pledge and assignment of State aid for one Series of Bonds shall secure any other Series of Bonds, except that an additional Series of Bonds issued to finance a project for a BOCES for which Bonds have already been issued may be secured on a subordinate basis to the Outstanding Series of Bonds for such BOCES.

DASNY

DASNY is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. See “PART 8 – DASNY.”

OHM BOCES

OHM BOCES was established in 1948 and provides shared services to 12 public school districts located in Oneida, Herkimer and Madison Counties that together have more than 47 schools and approximately 23,000 students. Many of the services are intended to enhance local district educational programs and/or to help school districts operate more efficiently by having OHM BOCES provide shared educational programs to two or more school districts which an individual school district could not itself provide as efficiently or economically. The financial statements of OHM BOCES for the fiscal year ending June 30, 2015 are set forth in Appendix B hereto. See "PART 5 – OHM BOCES."

The Series 2016 Bonds

The Series 2016 Bonds will be dated and bear interest from their delivery date, payable each February 15 and August 15, commencing February 15, 2017. The Series 2016 Bonds will bear interest at the rates and mature at the times set forth on the inside cover page of this Preliminary Official Statement. See “PART 3 – THE SERIES 2016 BONDS – Description of the Series 2016 Bonds.”

Payment of the Series 2016 Bonds

The Series 2016 Bonds are special obligations of DASNY payable solely from the Basic Rent payments to be made by OHM BOCES under the Agreement. Pursuant to the Master Resolution, such payments and DASNY’s right to receive the same have been pledged to the Trustee.

The Act provides that the Comptroller of the State of New York is to deduct from any State funds payable to OHM BOCES an amount equal to the amount payable by OHM BOCES to DASNY under the Agreement for the ensuing school year. Such amount will be paid directly to the Trustee. The apportionment of State aid is based on a

statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to OHM BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2016 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature. See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS.”

OHM BOCES has no power to levy and collect taxes. The component school districts of OHM BOCES, however, are required to levy real property taxes to pay their allocable share of expenses related to the Project. The Act provides that the amount due from OHM BOCES to DASNY under the Agreement constitutes either an “administrative expense” or a “capital expense”, as determined by the Commissioner of the State Education Department. See “PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES.”

Security for the Series 2016 Bonds

The Series 2016 Bonds will be separately secured by the pledge and assignment to the Trustee of Basic Rent payable under the Agreement, the proceeds from the sale of the Series 2016 Bonds (until disbursed as provided by the Resolutions) and all funds and accounts authorized by the Master Resolution and established by the Series 2016 Resolution (with the exception of the Arbitrage Rebate Fund), which include a separate Debt Service Reserve Fund for the Series 2016 Bonds. The Agreement requires OHM BOCES to pay Basic Rent to DASNY as well as additional rental fees and expenses of DASNY and the Trustee (together with Basic Rent, the “Rentals”). To secure the payment of the Rentals, OHM BOCES will assign and pledge to DASNY a portion of any and all public funds apportioned by the State to OHM BOCES in an amount sufficient to pay such Rentals. The funds and accounts established by a Series Resolution secure only the Bonds of such Series and do not secure any other Series of Bonds issued under the Master Resolution.

The Refunding Plan

The Refunding Plan consists of a refunding of all of the applicable Refunded Bonds. See “PART 6 – THE REFUNDING PLAN.”

PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS

Set forth below is a narrative description of certain contractual and statutory provisions relating to the sources of payment and security for the Series 2016 Bonds issued under the Master Resolution. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Master Resolution, the Agreement and the Agreement of Lease for a more complete description of such provisions. Copies of the Master Resolution, the Agreement and the Agreement of Lease are on file with DASNY and the Trustee. See also “Appendix C – Summary of Certain Provisions of the Lease and Agreement” and “Appendix D - Summary of Certain Provisions of the Master Resolution” for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2016 Bonds

The Series 2016 Bonds are special obligations of DASNY. The principal and Redemption Price of and interest on Series 2016 Bonds are payable solely from the Revenues. The Revenues applicable to the Series 2016 Bonds consist of the Basic Rent required to be paid by OHM BOCES under the Agreement on account of the principal of and Redemption Price of and interest on the Series 2016 Bonds and to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement as well as the Pledged Revenues and DASNY’s right to receive the same. See “Appendix A – Definitions – Revenues.” The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the owners of the Series 2016 Bonds.

OHM BOCES is to assign and pledge to DASNY a portion of any and all public funds payable by the State to OHM BOCES in an amount sufficient to pay all Rentals due under the Agreement. State aid is normally paid to OHM BOCES by the State on or about February 1, June 1 and September 1 of each year (but such schedule may be changed by the State in its discretion). The Act provides that the Comptroller of the State of New York (the “State

Comptroller”) is to deduct an amount equal to the amount payable by OHM BOCES to DASNY under the Agreement from any State funds to become due to OHM BOCES for the ensuing school year and pay such amount to DASNY. It is expected that the September 1 payment of State aid to OHM BOCES will be sufficient to pay the Basic Rent due on such date (i.e., an amount sufficient to pay principal of and interest on the Series 2016 Bonds on the succeeding February 15 and August 15). To the extent that payments from the State Comptroller to the Trustee are less than the Basic Rent due on September 1, the Agreement requires that OHM BOCES makes payments in an equivalent amount (with amounts paid later by the State or with other monies of OHM BOCES) by January 15 (with respect to the February 15 debt service payment) and July 15 (with respect to the August 15 debt service payment).

The Basic Rent payable in connection with the Series 2016 Bonds is to be paid to the Trustee on or about September 1 of each year commencing on September 1, 2016 in accordance with the provisions of the Act and the terms of the Memorandum of Understanding by and among the New York State Department of Education, the State Comptroller and DASNY. Basic Rent, with respect to the Series 2016 Bonds, is equal to the interest and principal coming due on the next succeeding February 15 and August 15 for the Series 2016 Bonds. In addition, the installment due on or about September 1 of any year includes the amount, if any, required to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

Direct Payment by State Comptroller

The Act requires DASNY to certify annually to the Commissioner of Education (the “Commissioner”) the total amount payable to DASNY in each year by OHM BOCES. The Commissioner is then required by law to certify to the State Comptroller the amount of State aid payable to OHM BOCES and the amount to be paid by OHM BOCES to DASNY for the ensuing school year. The State Comptroller is thereafter required by law to deduct the amount so certified as payable to DASNY from any State aid to become due to OHM BOCES and pay it to or upon the order of DASNY. DASNY has directed the State to pay such funds directly to the Trustee.

The State is not legally obligated to appropriate any moneys for the purpose of providing State aid or assistance to OHM BOCES or any other BOCES. The apportionment of State aid is based on a statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2016 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature.

OHM BOCES has no power to levy and collect taxes. The component school districts of OHM BOCES, however, are required to levy taxes to pay their allocable share of administrative and capital expenses, including the payment of each component school district’s proportionate share of the amount due from OHM BOCES to DASNY under the Agreement. See “PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES.” No BOCES, nor the component school districts thereof, are obligated to pay administrative or capital expenses of any other BOCES.

The Series 2016 Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

Tax Levy Limitation Law

Historically, the amount of state aid provided to OHM BOCES exceeded the expected amount due on the Series 2016 Bonds to be issued by DASNY for the benefit of OHM BOCES. However, in the event that the amount of state aid due to OHM BOCES in a particular calendar year (subject to intercept by the State Comptroller) is less than the amount that OHM BOCES owes DASNY in that calendar year, the component school districts of OHM BOCES will be obligated to levy taxes to pay their allocable share of OHM BOCES’ administrative expenses, subject to any restrictions provided in State law.

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including the school districts which comprise the component school districts of OHM BOCES.

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, a school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

The Tax Levy Limitation Law requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year. The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It expires on June 15, 2020 unless other legislation is extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments are permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures" are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy," and is an exclusion from the tax levy limitation.

While the Tax Levy Limitation Law may provide an exception for Capital Expenditures, there is no clear exception for payments to be made by a component school district of OHM BOCES in support of each component school district's proportionate share of the amount due to DASNY under the Agreement. In the event that the amount of state aid due to OHM BOCES in a particular calendar year (subject to intercept by the State Comptroller) is less than the amount that OHM BOCES owes DASNY in that calendar year, it is not possible to know at this time what affect, if any, the Tax Levy Limitation Law will have on the ability of any component school district of OHM BOCES to pay its allocable share of administrative expenses, including the payment of such school district's proportionate share of the amount due from OHM BOCES to DASNY under the Agreement. See "PART 4 - BOARDS OF COOPERATIVE EDUCATIONAL SERVICES."

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution, the Equal Protection and Due Process clauses and the First Amendment. On March 16, 2015 a New

York State Supreme Court Justice denied NYSUT's motion for a preliminary injunction and dismissed all causes of action contained in NYSUT's second amended complaint. After the ruling NYSUT expressed its intention to appeal the decision and continue its challenge to the constitutionality of the Tax Levy Limitation Law. It is not possible at this time to predict the ultimate outcome of this litigation.

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 ("Chapter 59") included provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreement and/or mergers or efficiencies".

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of Chapter 59 for future tax levies and for operations and services of OHM BOCES are uncertain at this time.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015 and signed into law by the Governor on June 26, 2015. The program applies in the years 2016 through 2019 and includes continued tax cap compliance.

Security for the Series 2016 Bonds

The Series 2016 Bonds will be secured by the pledge and assignment to the Trustee of the Basic Rent, the proceeds from the sale of the Series 2016 Bonds (until disbursed as provided by the Resolutions) and all funds and accounts authorized thereby (with the exception of the Arbitrage Rebate Fund), which include a separate Debt Service Reserve Fund, and DASNY's security interest in the Pledged Revenues. Pursuant to the terms of the Resolutions, the funds and accounts established secure only the Series 2016 Bonds and do not secure any other Series of Bonds issued under the Master Resolution. See "Issuance of Additional Bonds" herein.

Lease Payments

Consistent with the Act, OHM BOCES will, pursuant to its Agreement of Lease, lease certain property on which the Project is located to DASNY and DASNY will in turn sublease such property and the Project back to OHM BOCES pursuant to the Agreement. No Series 2016 Bonds are secured by any real estate interest in a Project.

The Agreement is a general obligation of OHM BOCES. OHM BOCES' obligation to pay Rentals under the Agreement is absolute and unconditional without any right of set-off, recoupment or counterclaim against DASNY.

DASNY has covenanted for the benefit of the Holders of the Series 2016 Bonds that it will not create, or cause to be created, any lien or charge upon the Revenues or its interest in the Pledged Revenues, the proceeds of the Series 2016 Bonds or the funds or accounts established under the Master Resolution, which is prior to, or equal to, the pledge made by the Master Resolution.

Pledge and Assignment of State Aid

As additional security for the payment of the Rentals, including Basic Rent, to DASNY, OHM BOCES will pledge and assign to DASNY, a portion of any and all public funds payable by the State to OHM BOCES in an amount sufficient to pay such Rentals. OHM BOCES further agrees that all State and local officials concerned are authorized to apportion and pay to or upon the order of DASNY all such pledged funds. The pledge and assignment will be irrevocable (in accordance with the Act) and will continue until the date on which the liabilities of DASNY incurred as a result of the issuance of the Series 2016 Bonds have been paid or otherwise discharged. None of the public funds pledged by OHM BOCES is to be applied to pay Rentals payable by any other BOCES.

Debt Service Reserve Fund

The Master Resolution requires that the Debt Service Reserve Fund with respect to Series 2016 Bonds be maintained at its applicable requirement, which is an amount, with respect to Series 2016 Bonds, equal to one-half of the amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments, if any, of and interest on the Outstanding Bonds of such Series payable during such calendar year subject to any limitation imposed by the Internal Revenue Code of 1986, as amended (the "Code"). The Debt Service Reserve Requirement is initially \$1,395,625 and will be recalculated not less often than annually and, if necessary, reduced.

In lieu of or in substitution for moneys, DASNY may deposit or cause to be deposited with the Trustee, a Reserve Fund Facility (including a surety bond, insurance policy or letter of credit) for the benefit of the Holders of a Series of the Bonds for all or any part of the Debt Service Reserve Requirement. The Debt Service Reserve Requirement will be funded with a Reserve Fund Facility acquired by OHM BOCES and issued by Assured Guaranty Municipal Corp.

Moneys in the Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund whenever the amount in the Debt Service Fund on the fourth Business Day preceding any interest payment date is less than the amount which is necessary to pay the principal and Sinking Fund Installments, if any, of and interest on any outstanding Series 2016 Bonds payable on such interest payment date. The Master Resolution requires and the Agreement provides that the amount necessary to restore the Debt Service Reserve Fund to its applicable requirement is to be included in the Basic Rent. Moneys in the Debt Service Reserve Fund in excess of such requirement may be deposited in other funds and accounts for the Series 2016 Bonds and applied by the Trustee in accordance with the Resolutions. See "Appendix D – Summary of Certain Provisions of the Master Resolution."

Issuance of Additional Bonds

In addition to the Series 2016 Bonds, the Master Resolution authorizes the issuance of other Series of Bonds for OHM BOCES and other BOCES for other specified purposes including refunding Outstanding Bonds issued under the Master Resolution. The Series 2016 Bonds, issued under the Master Resolution, will be secured by the pledge and assignment of the Revenues, DASNY's interest in the Pledged Revenues, the proceeds from the sale of such Series of Bonds and all funds and accounts (with the exception of the Arbitrage Rebate Fund) authorized by the Series Resolution. Any additional Series of Bonds issued to finance or refinance a project for OHM BOCES would be paid and secured on a subordinate basis to the Series 2016 Bonds unless otherwise consented to by a majority of the holders of the Series 2016 Bonds. Therefore, to the extent Pledged Revenues or OHM BOCES payments of Basic Rent were insufficient to pay for any outstanding Series 2016 Bonds and such additional Bonds, amounts would be applied first to pay the outstanding Series 2016 Bonds and then such additional Bonds.

General

The Series 2016 Bonds will not be a debt of the State of New York nor will the State be liable thereon. DASNY has no taxing power. See “PART 8 – DASNY.”

Defaults and Remedies under the Agreement

Among the events that would constitute an “event of default” under the Agreement are the failure by OHM BOCES to pay the Rentals within seven days after they become due or to observe or perform any of the covenants, conditions or agreement contained in the Agreement which continues for the grace period after notice of such failure has been given to OHM BOCES. In the event any such event of default will have happened and be continuing, DASNY may exercise such remedies available at law or in equity other than termination of the Agreement. In no event will an “event of default” under the Agreement cause an acceleration of the Rentals due under the Agreement.

Defaults and Remedies under the Master Resolution

“Events of Default” under the Resolutions include: (i) the failure to pay principal, Sinking Fund Installments, if any, or Redemption Price of, and interest on the Series of the Series 2016 Bonds when due; (ii) the failure to comply with the provisions of the Code applicable to the Series 2016 Bonds necessary to maintain the exclusion of interest thereon from gross income under Section 103 of the Code, with the result that interest on the Series 2016 Bonds is no longer excludable from the gross income of the Holders thereof for purposes of federal income taxation; and (iii) a default by DASNY in the due and punctual performance of any other of the covenants, conditions, the Agreement and provisions contained in the Resolutions or in the Series 2016 Bonds on the part of DASNY to be performed and such default continues for 30 days after written notice specifying such default and requiring same to be remedied will have been given to DASNY by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the Holders of not less than 25% in principal amount of Outstanding Series 2016 Bonds, unless, if such default is not capable of being cured within 30 days, DASNY has commenced to cure such default within said 30 days and diligently prosecutes the cure thereof.

The Resolutions provide that if an “event of default” occurs and continues, the Trustee may proceed, and upon the written request of the Insurer, if any, or the Facility Provider of a Reserve Fund Facility, if any, or the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2016 Bonds (in either case, with the consent of the Insurer, if any), or, in the case of a happening and continuance of an “event of default” specified in clause (ii) above, upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2016 Bonds (with the consent of the Insurer, if any), the Trustee will proceed (subject to the provisions of the Master Resolution), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Resolutions or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolutions or in aid or execution of any power therein granted, or for an accounting against DASNY as if DASNY were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee deems most effectual to protect and enforce such rights. In no event will an “event of default” cause an acceleration of the Series 2016 Bonds under the Resolutions.

In the enforcement of any remedy under the Resolutions, the Trustee may sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from DASNY for principal or interest or otherwise under any of the provisions of the Resolutions or of the Series 2016 Bonds, with interest on overdue payments of the principal of or interest on the Series 2016 Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolutions and under such Series 2016 Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Series 2016 Bonds and to recover and enforce a judgment or decree against DASNY but solely as provided in the Resolutions and in such Series 2016 Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

PART 3 – THE SERIES 2016 BONDS

Description of the Series 2016 Bonds

The Series 2016 Bonds will be issued pursuant to the Resolutions, will be dated the date of delivery and will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement.

The Series 2016 Bonds will be issued as fully registered bonds. The Series 2016 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2016 Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2016 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2016 Bonds, the Series 2016 Bonds will be exchangeable for other fully registered Series 2016 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolutions. See "Book Entry Only System" herein and "Appendix D – Summary of Certain Provisions of the Master Resolution."

Interest on the Series 2016 Bonds will be payable by check or draft mailed to the registered owners thereof at the address thereof as it appears on the registry books held by the Trustee, provided however, that interest on the Series 2016 Bonds of a Series may be authorized to be paid at the option of a Holder of at least \$1,000,000 in principal amount of the Series 2016 Bonds of such Series by wire transfer to the Holder of such Series 2016 Bonds, each as of the close of business on February 1 and August 1, as applicable, next preceding an interest payment date. The principal or redemption price of the Series 2016 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York Mellon, the Trustee and Paying Agent. As long as the Series 2016 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" herein.

For a more complete description of the Series 2016 Bonds, see "Appendix D – Summary of Certain Provisions of the Master Resolution."

Redemption Provisions

Optional Redemption

The Series 2016 Bonds maturing on or before August 15, 2026 are not subject to optional redemption prior to maturity. The Series 2016 Bonds maturing after August 15, 2026 are subject to redemption prior to maturity on or after August 15, 2026 in any order (a) from amounts in the Debt Service Fund in excess of moneys required to pay interest, principal and Sinking Fund Installments, if any, and in excess of amounts on deposit therein for special redemption, as a whole at any time or in part on any interest payment date, or (b) at the option of DASNY, as a whole or in part at any time, at par plus accrued interest to the redemption date.

Special Redemption

The Series 2016 Bonds are subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of DASNY, on any interest payment date, from the proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project.

Selection of Bonds to be Redeemed

In the case of redemptions of less than all of the Series 2016 Bonds other than through mandatory Sinking Fund Installments, DASNY will select the maturities to be redeemed. If less than all Series 2016 Bonds within a maturity are to be redeemed, as long as the Series 2016 Bonds are in book-entry form registered in the name of Cede & Co., as nominee of DTC, DTC will determine by lot the amount of the interest of each DTC Direct Participant in such maturity to be redeemed. If the Series 2016 Bonds are no longer in book-entry form registered in the name of Cede & Co., as nominee of DTC, the Bonds or portions thereof to be redeemed shall be selected for redemption by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

Generally, the Trustee is to give notice of the redemption of the Series 2016 Bonds in the name of DASNY, by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the redemption date to the registered owners of any Series 2016 Bonds which are to be redeemed, at their last known addresses appearing on the registration books of DASNY not more than 10 Business Days prior to the date such notice is given.

If on the redemption date moneys for the redemption of the Series 2016 Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the redemption price, and if notice of redemption has been mailed, then interest on the Series 2016 Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2016 Bonds will no longer be considered to be Outstanding.

Purchase in Lieu of Optional Redemption

The Series 2016 Bonds maturing on or before August 15, 2026 are not subject to purchase in lieu of optional redemption prior to maturity. The Series 2016 Bonds maturing after August 15, 2026 are subject to purchase in lieu of optional redemption prior to maturity on or after August 15, 2026, at the option of OHM BOCES with the prior written consents of DASNY, as a whole or in part at any time, at a purchase price of 100% of the principal amount to be purchased (the "Purchase Price") plus accrued interest to the date set for purchase (the "Purchase Date"). Notice of Purchase in Lieu of Optional Redemption of the Series 2016 Bonds will be given in the name of OHM BOCES to the registered owners of the Series 2016 Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the Purchase Date specified in such notice. The Series 2016 Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2016 Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2016 Bonds are called for purchase in lieu of an optional redemption, such purchase will not extinguish the indebtedness of DASNY evidenced thereby or modify the terms of the Series 2016 Bonds. Such Series 2016 Bonds need not be cancelled, and will remain Outstanding under the Resolutions and continue to bear interest. OHM BOCES's obligation to purchase a Series 2016 Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2016 Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2016 Bonds to be purchased, the former registered owners of such Series 2016 Bonds will have no claim thereunder or under the Resolutions or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2016 Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2016 Bonds in accordance with their respective terms. If not all of the Outstanding Series 2016 Bonds are to be purchased, the Series 2016 Bonds to be purchased will be selected by lot in the same manner as Series 2016 Bonds to be redeemed in part are to be selected.

For a more complete description of the redemption and other provisions relating to the Series 2016 Bonds, see "Appendix D - Summary of Certain Provisions of the Master Resolution." Also see "Book-Entry Only System" below for a description of the notices of redemption to be given to Beneficial Owners of the Series 2016 Bonds when the Book-Entry Only System is in effect.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity of the Series 2016 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and

provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DASNY or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any,

and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DASNY or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DASNY and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2016 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, and interest on, the Series 2016 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2016 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. DASNY and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2016 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of DASNY (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2016 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by DASNY; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to DASNY and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2016 Bond certificates are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series 2016 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that DASNY believes to be reliable, but DASNY takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2016 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NEITHER DASNY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2016 BONDS.**

So long as Cede & Co. is the registered owner of the Series 2016 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2016 Bonds (other than under the caption "PART 11—TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2016 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2016 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DASNY, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2016 Bonds if DASNY determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2016 Bonds. or (ii) a continuation of the requirement that all of the Outstanding Series 2016 Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute

securities depository is found by DASNY or restricted registration is no longer in effect, Series 2016 Bond certificates will be delivered as described in the Resolutions and the Bond Series Certificate.

NEITHER DASNY, OHM BOCES NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2016 BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF A SERIES OF THE SERIES 2016 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2016 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2016 BONDS; OR (VI) ANY OTHER MATTER.

Debt Service Requirements

The following table sets forth the amounts required to be paid by OHM BOCES during each twelve month period ending August 15 of the Bond Years shown for the payment of debt service on the Series 2016 Bonds. OHM BOCES is required to pay on September 1 of each year an amount equal to the debt service on the Series 2016 Bonds on the succeeding February 15 and August 15. See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS.”

12-Month Period Ended August 15	Debt Service Requirements
2017	\$2,787,205.56
2018	2,783,850.00
2019	2,788,150.00
2020	2,788,350.00
2021	2,790,750.00
2022	2,791,250.00
2023	2,787,000.00
2024	2,788,000.00
2025	2,783,750.00
2026	2,784,250.00
2027	2,784,000.00
2028	2,787,750.00

PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES

A general description of BOCES, State Aid to BOCES and obligations of component school districts which are generally applicable to all BOCES in the State is included in this PART 4. Certain financial and economic information for OHM BOCES is included in PART 5 – OHM BOCES. The financial statements of OHM BOCES for the fiscal year ended June 30, 2015 are set forth in Appendix B hereto.

General Description of BOCES

The ability to create a Board of Cooperative Educational Services was first established in 1948 and is found in section 1950 of the State Education Law. Initially, the legislation was aimed at enabling small rural school districts to combine their resources to provide services that otherwise would have been uneconomical, inefficient or unavailable. Under the legislation, BOCES are formed regionally (usually by a county or adjoining counties) as a consortium of the public school districts within the region. At present there are 37 BOCES, serving 687 of the 696 school districts in the State. BOCES membership is not available to the five large city school districts in the State: New York City, Buffalo, Rochester, Syracuse and Yonkers.

A BOCES is formed under the State Education Law by the school districts of a supervisory district for the purpose of providing various educational services for such school districts on a cooperative or shared basis, which services may either be too expensive or duplicative for each school district to provide for itself. A BOCES is usually formed by an order of the Commissioner of Education (the “Commissioner”) after a petition has been made requesting the establishment of a BOCES by the respective Boards of Education of the various school districts to be included in the proposed BOCES. The decision to establish a BOCES is not subject to voter approval.

The number of school districts comprising an individual BOCES varies. In each case, the territory within which the BOCES operates encompasses the territory of its component school districts. A school district may decide to join an established BOCES by vote of its board of education without voter approval. Once it has joined, however, a school district may not withdraw and is thereafter obligated for its share of BOCES administrative and capital expenses (including the Rentals due to DASNY under an applicable agreement).

Once formed by the Commissioner, a BOCES is governed by a Board, whose members are elected by the boards of education of the component school districts. A Board consists of five to fifteen members. Members of a BOCES Board are elected at its annual meeting and serve for terms of three years.

BOCES operate under the Education Law and the Rules and Regulations of the Commissioner of Education. The powers of a BOCES are set forth in the Education Law, which provides for their relationship with the local school districts and specifies their duties and responsibilities. A BOCES is not authorized to enter into an agreement with DASNY unless a proposition authorizing the acquisition, construction, reconstruction or financing of a board of cooperative education services school facility and specifying the costs is approved by a majority vote of the voters throughout a BOCES’ component school districts. In addition, a BOCES may not begin construction on any Project unless and until it has been approved by the Commissioner.

Each BOCES is authorized to provide such program services as the Commissioner may approve and must provide any educational service that is (a) requested by the component school districts and (b) approved by the Commissioner, who first determines that the proposed program service meets an educational need and can most effectively be provided on a regional, rather than local, level. Except for BOCES administrative and capital expenses, which are allocated to and are a responsibility of the component school districts to the extent provided by the Education Law, each school district is responsible for the costs of only those educational programs or services in which it decides to participate.

The legislation permits BOCES to provide a wide variety of programs and services, which include:

General Education, including summer school.

Career Education – Vocational training in agriculture, distributive education, health, home economics, business and office programs, technical education and trade, industrial and service education.

Special Education – Educational services for children with special needs.

Management and Instructional Support Services – A wide variety of administrative, educational and extracurricular activities.

Education in the Arts

Environmental Education

State Aid to BOCES

A BOCES has no taxing authority and except for certain Federal grants and payments for services rendered under certain contracts with public agencies, colleges and other entities, derives all of its financial support for operations from its component school districts and the State. State law provides that State aid is paid to a BOCES, and then is to be paid by the BOCES to the component school districts to partially reimburse them for payments made to the BOCES, based upon the amount paid by the component school districts for program services and administrative and capital expenses. The component school districts pay for these expenses through real property tax levies. See “PART 2 -SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS - Tax Levy Limitation Law.”

Program services are funded by component school districts based on the district's participation in a specific program. Administrative and capital expenses of a BOCES (including the Rentals due to DASNY under an applicable agreement) are shared on a pro rata apportioned basis (based on attendance or enrollment formulas or property values) by the component school districts. Though the Commissioner may designate Rentals due to DASNY as either administrative or capital expenses, for purposes of apportionment of public monies to the BOCES, such payments shall be aided in the same manner as administrative expenses (subject to certain exceptions outlined below). All State aid payable to a BOCES, including services aid and facilities aid, as well as administrative aid, is available to be applied to pay Rentals.

BOCES costs are paid, and aided by the State, in the following manner:

BOCES Services Aid

When a school district decides to subscribe to one of the BOCES programs, it agrees to pay a tuition or service fee. The aggregate amount of fees equals the BOCES' costs of providing the service. Each participating school district pays its pro-rata share of the program's costs.

The participating school district pays its fee in installments during the school year in which the BOCES provides the service, enabling the BOCES to meet payroll and other expenses. These payments are made on an estimated basis during the year. At the end of the school year, the exact cost is determined by audit.

The audited cost then becomes the basis on which State aid is calculated. These moneys are then paid to the BOCES in the school year following the school year in which the service was provided. The BOCES, in turn, allocates and pays this money to the component school districts as a reimbursement in the same school year that the BOCES receives it from the State. Therefore, in any given year, a school district will be paying to the BOCES its share of the estimated cost of the program it is currently participating in and will also be receiving moneys from the BOCES from State aid intended to partially reimburse such school districts for its share of audited educational costs paid by it to the BOCES in the prior year.

The amount of State aid paid to each BOCES is the sum of the amounts determined for each component school district by applying a State aid formula, which is prescribed by statute. Since this formula includes in its calculation the tax rate and actual valuation of taxable property of the various component school districts, the amount of the aid actually paid to each BOCES varies depending upon these tax rates and property valuations. In all cases, the amount of State aid is less than the total costs of each BOCES program services. Each school district is therefore directly responsible to its BOCES for its share of the cost of educational programs in which it participates, with State aid reimbursing a portion of the school district's share.

BOCES Administrative Aid

BOCES administrative and capital expenses, including the Rentals due to DASNY under an applicable agreement, are charged against all component school districts based upon attendance or enrollment formulas or property values and regardless of their participation in any BOCES educational program.

Rentals due to DASNY are aided by the State in the same manner as administrative expenses with two exceptions. First, certain BOCES administrative expenses cannot exceed in the aggregate, for purposes of State aid payments, 10% of the total BOCES expenses, including the program operating expenses. However, the entire amount of BOCES payments to DASNY, as well as certain other BOCES expenses, is not subject to the 10% limit in calculating State aid. Second, unlike State aid for BOCES program operating expenses, which is received by each BOCES (and therefore by its component school districts) in the school year following the school year of expenditure, State aid for BOCES payments to DASNY may be received by each BOCES in the current school year in which such payment is made. The State appropriations for this aid are made on an estimated basis and are paid to each BOCES. In all cases, the amount of State aid for administrative expenses is less than the actual amount of these administrative expenses. Each school district is therefore directly responsible to its BOCES for its share of administrative expenses, with State aid reimbursing a portion of the school district's share.

BOCES Facilities Aid

BOCES' facilities expenses are capital expenses and are charged against all component school districts based upon attendance or enrollment formulas or property values and regardless of their participation in any BOCES educational program.

BOCES facilities aid may be claimed for approved expenditures for facility construction, purchase or lease incurred for approved projects. The amount of aid payable on account of approved expenses is determined by multiplying the approved expenses by the aid ratio established by the State Education Law. Approved expenses are those incurred by the component school district during the current school year for approved debt service payments on debt instruments used to finance BOCES construction, for expenditures in support of BOCES construction and for expenditures for lease of BOCES facilities. In all cases, the amount of State aid for facilities expenses is less than the actual amount of these facilities expenses. Each school district is therefore directly responsible to its BOCES for its share of facilities expenses, with State aid reimbursing a portion of the school district's share of the costs of approved projects.

State Appropriations

The State has made appropriations to the BOCES program in each year since 1949 when the program was initiated. The amount of State aid payable to each BOCES has varied in accordance with a statutory formula set forth in the Education Law, except that payments in lieu of BOCES aid were made for the school year ending June 30, 2002 in an amount specified by the Legislature. The amount apportioned by the State for payment to a BOCES during a BOCES school year, which ends June 30th, is payable in installments, approximately 25% of which is payable in February, approximately 30% of which is payable in June, and the remaining balance is payable in September. During BOCES fiscal year, the State aid payment made in February is made in one State fiscal year, and the State aid payments made in June and September occur in the subsequent State fiscal year.

All of the State aid payable to a BOCES is subject to intercept by the State Comptroller under the Act up to the amount of the Rentals payable by such BOCES under its Agreement with DASNY. *While the BOCES program has received State aid in each year since its inception, both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to each BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2016 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature.*

Obligations of Component School Districts

All component school districts are required to pay their allocable share of BOCES administrative and capital expenses notwithstanding that they may elect not to participate in any of BOCES educational programs. Each component school district pays a proportional share of the BOCES' administrative and capital expenses (based on attendance or enrollment formulas or property values) through tax levies and local school boards vote on BOCES administrative and capital budgets each spring. See "PART 2 -SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS - Tax Levy Limitation Law." The portion of the budget allocated to payments to DASNY, however, is not subject to such vote of the local school boards. The Education Law requires that each component school district add the amount of its share of BOCES administrative expenses to its budget and pay such amount to the BOCES. The moneys collected for and on behalf of a BOCES by each component school district are required by law to be paid by the school district to such BOCES treasurer. Under other provisions of New York law, component school districts of a BOCES are political subdivisions of the State of New York and (with certain exceptions) have the power to levy and collect ad valorem taxes on real property.

Under New York law, if the budget of a school district is not approved by the voters, provision is made for the board of education of the school district to adopt, without voter approval, a contingent budget to pay for the basic or minimal needs of the school district subject to statutory caps which will include its allocable share of BOCES administrative and capital expenses.

All the taxable property of each such school district is subject to levy of ad valorem taxes, without limitation as to rate or amount, to pay the school district's allocable share of the BOCES' administrative and capital expenses. See "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2016 BONDS - Tax Levy Limitation Law." In addition, each county or other political subdivision having responsibility for the enforcement of delinquent school taxes is required to pay to the school districts the full amount of school taxes which remain uncollected before the end of the school year.

Pension Payments

Eligible BOCES employees participate in the New York State Employee Retirement System ("ERS") or the Teachers Retirement System ("TRS"). See "PART 5 – OHM BOCES" for a table of payments made by OHM BOCES to ERS and TRS for the 2011-2012 through 2015-2016 fiscal years.

GASB 45 and OPEB

OPEB refers to "other post-employment benefits," meaning post-retirement benefits other than pension benefits. OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB") requires BOCES to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most entities have not set aside any funds against this liability.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each BOCES. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a BOCES contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the BOCES account for its unfunded accrued liability and compliance in meeting its ARC. The unfunded actuarial accrued liability of a particular BOCES could have a material adverse impact on such BOCES' finances.

See "PART 5 – OHM BOCES" for a discussion of the impact of GASB 45 on OHM BOCES.

PART 5 – OHM BOCES

There follows in this PART 5 a brief description of OHM BOCES, together with certain information concerning its history, operations, governance, facilities, financial information and future financing plans.

History

OHM BOCES was established as one of the original four BOCES in 1948 and provides shared services to the 12 school districts that together have more than 47 schools and approximately 23,000 students. OHM BOCES shared services are intended to enhance local district educational programs and to provide educational programs to component school districts which individual school districts could not, themselves, provide efficiently or economically. Thus, OHM BOCES programs generally offer advantages to school districts of specialization and economy of scale.

Operations

OHM BOCES programs and services for school districts are divided into six divisions providing the following services and programs:

Administrative Services – The Administrative Services Division provides high quality, cost-effective services for component districts and OHM BOCES. In addition to business, personnel, and maintenance operations, this division also houses the school safety, food services and records management departments. The following represent some of the services offered:

Central Business Office – The Central Business Office offers participating school districts and OHM BOCES a cost-effective system of recording financial data. The staff is trained in all aspects of business office operations.

Safety Coordinator – This service provides coordination and implementation of a safety program for school districts and OHM BOCES to ensure compliance with local, state and federal safety and health regulations.

School Food Service – This service provides breakfast and lunch for students and staff in component districts. The service provides overall management of the entire shared food service program including, hiring, training, supervision of staff, menu development, purchase, management and preparation of food.

Human Resources – Manages the recruitment, hiring and retention of OHM BOCES personnel, and provides support to all OHM BOCES departments in employee relations, staff development and other human resources concerns. The department also makes available several services to school districts: the Regional Certification Office, Teacher Recruitment and an employee assistance program consortium.

Instructional Services – The Instructional Services Division provides support for the 12 component school districts by offering programs, services and personnel on a shared basis to assist districts in meeting their educational needs. The division consists of special education, career and technical education, alternative education, school-to-work, and itinerant academic programs. The following represents some of the services offered:

Special Education – Special education programs are provided for children with disabilities in the least restrictive environment possible. Eight different school-age programs are conducted in addition to the preschool program. Related services of speech therapy, physical therapy, occupational therapy, visually-impaired training, hearing-impaired training and counseling are charged separately.

Career and Technical Education – Offers an array of career-preparation programs for high school students and adults, with components ranging from career counseling and evaluation to the teaching of job-finding skills. Grant funding supports a number of programs for adults and school-to-career initiatives.

Alternative Education – The alternative education program provides a comprehensive educational program for students who have not succeeded in the traditional classroom setting. There are two sites that together provide a continuum of services for students at risk of dropping out of school. The goal of each program component is to provide a supportive, individualized program structured to help students obtain a high school diploma and develop skills necessary to succeed in life. Students are generally referred for inappropriate behavior, poor attendance, lack of respect for authority, fighting and/or indifference to academics. Reduced class sizes, learner-focused classrooms and an emphasis on teaming allows students to focus on the program's three A's: attendance, attitude and academics. The alternative education programs foster improving academics and social skills through positive peer culture. Based on the severity and complexity of the problems involved, each student is assigned to a social worker who will monitor his or her progress in alternative education and make appropriate programming recommendations when necessary.

Itinerant Services - Many component school districts need therapeutic services on a part-time basis. Through special education itinerant services, therapists are available in such disciplines as psychology, social work, occupational therapy and speech. In addition, teachers of the deaf and hearing impaired and teachers of the blind and visually impaired services are offered.

Information & Technology – The Information and Technology Center provides professional direction, staff development, educational media and related information services. These programs are provided to participating school districts in the most effective way, sharing in the development and cost of these services. All programs offer professional leadership, direction and consultation services. The following represent some of the services offered:

Educational Communications – The Educational Communication Center is comprised of three services: media technology services, cooperative music and courier services.

Substitute Teacher Calling Service – Participating school district teachers and administrators can call an automated sub-calling system 24 hours per day to report absences. The automated system will fill those vacancies.

Distance Learning - This service creates a fiber-optic telecommunication network with the capacity to link all 12 component school districts, OHM BOCES complex, area colleges and school districts outside of Oneida County.

Program & Professional Development – The Program and Professional Development Division supports the continuous learning of all students and staff. Workshops by local and national experts are offered, as well as updates in best practices. The Division assists administrators, teachers and school personnel in applying curriculum, improving instruction, assessment techniques, and ultimately, increasing student achievement. The following represent some of the services offered:

School/Curriculum Improvement Service – The School/Curriculum Improvement Service links research and best practice with curriculum, instruction, assessment design and implementation congruent with NY State learning standards.

Special Education Training and Resource Center (SETRC) – The SETRC at OHM BOCES is part of the New York State network of 42 resource centers. The network is an instructional support system organized to provide technical assistance to educators and distribute information to persons involved in the education of students with disabilities and students at risk of failure.

Tobacco-Free Schools Initiative – The purpose of the Tobacco-Free Schools Initiative is to assist schools in reviewing, updating and implementing comprehensive tobacco-free policies and procedures in their schools.

Governance

OHM BOCES carries out its programs through a twelve-member board and a staff of approximately 445 salaried staff members, supplemented by 160 hourly and/or daily employees. The OHM BOCES Board is made up of twelve members representing the component districts within the OHM BOCES area, and generally, with certain exceptions, no more than one member may reside within the boundaries of a particular school district. OHM BOCES Board members are elected by the boards of education of the 12 component school districts and each serves for a period of three years, unless appointed or elected in a special election to serve out the term of office of a Board member who has resigned. They serve without compensation, but are reimbursed for some expenses incurred in carrying out their responsibilities.

All authority rests with the OHM BOCES Board as a whole, and not with any individual member or any group of members in any committee. The OHM BOCES Board has responsibility for the governance of OHM BOCES and for all final policy decisions.

The current members of the OHM BOCES Board are as follows:

DR. GARY W. PORCELLI, President – Dr. Gary Porcelli has been a resident of New York Mills for nearly 30 years. He has been serving on the OHM BOCES Board since 2008 and served as Vice President for two years and currently serves at the Board President. His experience as an OHM BOCES board member includes networking and interfacing with the other board members, the District Superintendent and the support staff at OHM BOCES. He has served on several BOCES Committees including the Audit Committee, Policy Committee, SBI Executive Committee and the Career and Technical Education Advisory Committee. Dr. Porcelli is President of the New York Mills Board of Education and is in his seventh year of service to that organization. Dr. Porcelli retired in 2001 after servicing 36 years as both a classroom teacher of English and school administrator, largely with the Utica City School District. Dr. Porcelli's term will expire on June 30, 2016.

ELAINE M. FALVO, Vice President – Elaine M. Falvo has been a member of the OHM BOCES Board since 1987. A lifelong resident of the area, she attended Elmira College and holds a BA degree in biology from

Utica College and an MA in science education from Syracuse University. She and her late husband owned and operated H. J. Brandeles Corporation, a mechanical contracting business. In 1979, Ms. Falvo was elected to the New Hartford Board of Education. She served that district for thirteen years, three years as board president and two years as vice-president. She is a Governor-appointed trustee of Mohawk Valley Community College, where she has served the board as chairwoman for six of her seventeen years as a member. In addition Mrs. Falvo serves as a director for both Faxton/St. Luke's Health Care and Mohawk Valley Network. Mrs. Falvo's term will expire on June 30, 2018.

MARGARET BUCKLEY – Margaret Buckley has been a member of the Utica City School District Board of Education since July, 2006 and a member of the OHM BOCES Board since July 2007. Ms. Buckley is currently co-chairman of the OHM BOCES Grants Committee. She attended Utica Schools, College Misericordia Dallas, PA and Syracuse University Graduate School. Ms. Buckley served as Principal of General Herkimer Magnet School from 1976 - 2006. In 1991 General Herkimer became one of the five Magnet Schools in Utica. The theme is Communications, Technology and Media Arts. Her professional positions besides elementary principal have included reading consultant, corrective reading teacher, and elementary teacher in Utica, Rochester and Whitesboro. Ms. Buckley's term will expire on June 30, 2018.

SHIRLEY BURTCH – Shirley Burtch was elected to the OHM BOCES Board in 1999. She graduated in 1951 from Thomas R. Proctor High School in Utica and from New York State College for Teachers at Albany in 1955. In September of 1955, she began her teaching career as a librarian and Social Studies teacher at Oriskany Central School retiring in June 1992. During her educational career she received additional credits at SUNY Cortland, SUNY Utica and Utica College, receiving permanent certification in both elementary education and secondary Social Studies. She has been a resident of Oriskany since 1956. She is currently serves on the OHM BOCES Consortium of Continuing Education Committee, and the Audit Committee. Mrs. Burtch's term will expire in June 30, 2017.

DOREEN CORBIN – Doreen Corbin is a lifelong resident of Brookfield. She graduated from Brookfield Central School in 1970, and in her junior and senior years, attended OHM BOCES, taking Cosmetology. After graduation she took the State boards and received her hairdressing license. She has been operating a shop in her home for 30 years. Mrs. Corbin's term will expire on June 30, 2018.

JOHN A. GRIFFIN – John A. Griffin has been a lifelong resident of the Sauquoit Valley. Mr. Griffin, a graduate of Chadwicks Union Free School, has a B.A. in Business Administration from Utica College. Recently retired as Sr. Resident Vice President, John was employed with the Utica National Insurance group for 40 years. As part of his responsibility at Utica National, he has worked with the Utica National School Risk Management Program affording insurance and risk management services to over 300 New York State public schools. Mr. Griffin has served on the OHM BOCES Board since 2002 and served four years as Vice President and two years and President. He also served on the Sauquoit Valley School Board from July 1, 1996 to July 1, 2001. He was President of the Sauquoit Board during his last year of service and served on the Finance, Health and Safety and Curriculum Committees. Mr. Griffin's term will expire on June 30, 2017.

CHARLENE A. HARTMAN – Charlene A. Hartman has served on the OHM BOCES Board since 2003. In 1979, she became a member of the Westmoreland Board of Education and served 28 years. During that time, Mrs. Hartman served as President and Vice President. She has been a resident of the Westmoreland School District for 51 years. Mrs. Hartman works for the Town of Westmoreland, as a court clerk for the Westmoreland Justice Court. She is a Trustee on the Westmoreland Reading Center and a member of the Westmoreland Historical Society. Mrs. Hartman's term will expire on June 30, 2018.

STEVE BOUCHER – Steve Boucher has a BS in Business Economics from State University of New York at Oneonta. Mr. Boucher was retired from Yellow Pages in 2007 as an Executive Vice President. In 2005, Mr. Boucher moved his family to Remsen, where he grew up. In retirement, he operates the Remsen General Store and Soda Fountain Restaurant in Remsen, NY. The two businesses employ 25 local people. Mr. Boucher has served on the Remsen Central School Board for seven years and served as School Board President. Mr. Boucher's term will expire on June 30, 2017.

MICHAEL MOORE - Michael Moore has been a Clinton resident since 1979. He is a software engineer with ITT Advanced Engineering Systems in Rome NY. He also occasionally teaches computer science courses as an adjunct faculty member at SUNYIT. Mr. Moore has served as a member of the OHM BOCES Board since 1995 and has been on committees for the budget, policy review, board self-assessment and alternative education. His current committees are Capital Project Committee, Negotiations Committee, Handbook Committee and Policy Committee. Mr. Moore is an active community volunteer. Mr. Moore's term will expire on June 30, 2016.

GARY NELSON – Mr. Nelson has been a member of the OHM BOCES Board since August 2006 and has served as both President and Vice President. He has been a resident in Holland Patent for twenty-six years and currently works as a Marketing and Estimating manager with Vicks Lithograph and Printing. Mr. Nelson served as a Holland Patent School Board member for six years, two of those as President. He has also served on the Board of the Teacher Center for eight years. Mr. Nelson's term will expire on June 30, 2016.

JOHN J. SALERNO – Mr. Salerno has been an OHM BOCES Board member since 2002. In 1977, he became involved in the educational process when he was elected to the Whitesboro School Board. He served twenty-five years on the Whitesboro Board of Education, serving at times as both President and Vice President. Mr. Salerno also served on various sub committees of the Whitesboro School Board. He represented the Whitesboro School Board as a representative of the Oneida-Madison-Herkimer Counties School Board Institute for 18 years. Mr. Salerno served as President and Vice President of the Oneida-Madison-Herkimer Counties School Board Institute 1995 to 1997. He served as Executive Secretary of the Oneida-Madison-Herkimer Counties School Board Institute 1997 to March 2005. He has served as the OHM BOCES representative on a number of committees, including the Career and Technical Education Advisory Council; Construction Management Planning committee for the Capital Building Project, Co-chair of the Audit sub-committee; and appointed Vice President of the Shoemaker Memorial Scholarship Foundation. Mr. Salerno's term will expire on June 30, 2017.

RUSSELL STEWART – Russell Stewart has been a lifelong resident of Oneida County. In 1987 he was elected to the Waterville School Board. He served 15 years on the Waterville Board of Education, took a few years off and then found his way back in 2010 and continues to serve. During that time he served terms as both President and Vice President. He has been a board member of the OHM BOCES from 1998 through 2010, serving as President for three years. In 2013, Mr. Stewart again was elected to the OHM BOCES Board. Mr. Stewart's term will expire on June 30, 2016.

The principal administrative staff members of OHM BOCES are as follows:

HOWARD D. METTELMAN, District Superintendent - Howard Mettelman is the District Superintendent of OHM BOCES. He holds a BS from Utica College, a Masters degree from SUNY-Cortland, and a Certificate of Advanced Study in School Administration and Supervision from SUNY-Cortland. Mr. Mettelman has spent over three decades in education with teaching experience at Notre Dame High School and Camden Central School, as well as administrative experience as a high school principal in Camden, Director of Secondary Programs at Madison Oneida BOCES, Superintendent of Schools of Oriskany Central Schools and, currently, as District Superintendent of the OHM BOCES.

THOMAS DORR, Assistant Superintendent for Administrative Services – Thomas Dorr is the Assistant Superintendent for Administrative Services of OHM BOCES. He holds a BS from Utica College, a Masters Degree from SUNY Utica-Rome and additional coursework required for certification as a School District Administrator. Mr. Dorr has been involved in school business since 1989. He has been the chief business official at Ilion Central Schools, Whitesboro Central Schools and since April 2000, he has been at the OHM BOCES.

CHRISTOPHER HILL, Assistant Superintendent for Instructional Services – Christopher Hill has served as the Oneida-Herkimer-Madison BOCES Assistant Superintendent for Instruction since July 2014. Previously, Mr. Hill was the elementary principal at Stokes Elementary in the Rome City School District. Prior to being elementary principal in Rome, Mr. Hill was an elementary principal in the Westmoreland Central School District from 2009-2012. He served as director of curriculum and instruction at Westmoreland from 2008-2009 and assistant principal for grades 5-12 beginning in 2006. Previously, Mr. Hill was the assistant principal for student activities at Whitesboro Middle School and the assistant principal and athletic director in the Westmoreland Central School District. Mr. Hill also taught seventh and eighth grade social studies in the Rome City School District.

Employees

The number of persons employed by OHM BOCES, the collective bargaining agents, if any, which represent them and the dates of expirations of the various collective bargaining agreements are presented in the table below.

<u>Number of Employees</u>	<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
306	Oneida BOCES Teachers' Association - NYSUT	June 30, 2017
99	United Public Service Employees; Union	June 30, 2016
40	SAANYS Administrators' Association	June 30, 2016

Source: OHM BOCES records.

Facilities

OHM BOCES presently occupies approximately 255,000 square feet in three buildings that it owns; OHM BOCES also leases space in portions of three other buildings and leases space in many individual classrooms in local school buildings.

Financial Information

Funding of OHM BOCES comes from the 12 component school districts. Each pays a proportional share of OHM BOCES administrative expenses (based on either attendance or enrollment formulas) through tax levies, and local school boards vote on its administrative budget each spring. The portion of the budget allocated to payments to DASNY, however, is not subject to such vote of the local school boards. The 2014-15 and 2015-2016 administrative budgets were approved by overwhelming margins. OHM BOCES programs are funded by the districts based on each component school district's program use. The State gives the component school districts BOCES aid moneys to partially reimburse them for BOCES services and administrative expenses.

The most recent audited financial statements are available for review on the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board and are set forth in Appendix B hereto.

Oneida Herkimer and Madison Counties BOCES
<http://emma.msrb.org/IssueView/IssueDetails.aspx?id=MS285126>.
Base CUSIP: 64982P

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The following chart shows, for the fiscal year ending June 30, 2016, for each component school district, (a) the total amount payable from the school district to OHM BOCES and the percentage such amount represents of OHM BOCES' overall receipts from component school districts, and (b) the proportionate share of OHM BOCES administrative expenses paid by such component school district and the percentage such amount represents of OHM BOCES' overall administrative expenses.

Component School Districts' Share of OHM BOCES Expenses for Fiscal Year ended June 30, 2016

<u>Component School District</u>	<u>Total Amount Paid to OHM</u>	<u>Percentage Share of Total OHM Receipts</u>	<u>Amount Allocated to Administrative Expenses</u>	<u>Percentage Share of Administrative Expenses</u>
Brookfield	\$1,086,977	2%	\$36,203	1%
Clinton	3,179,495	5%	207,420	6%
Holland Patent	3,697,854	6%	233,259	7%
New Hartford	6,351,388	11%	406,180	12%
New York Mills	2,496,997	4%	96,399	3%
Oriskany	2,625,526	4%	101,084	3%
Remsen	1,402,363	2%	64,171	2%
Sauquoit Valley	3,383,535	6%	157,872	5%
Utica	17,491,402	30%	1,392,029	40%
Waterville	3,192,186	5%	127,774	4%
Westmoreland	2,978,295	5%	149,638	4%
Whitesboro	7,773,710	13%	518,905	15%
<u>Miscellaneous⁽¹⁾</u>	<u>2,848,433</u>	<u>5%</u>	<u>0</u>	<u>0%</u>
Totals	<u>\$58,508,161</u>	<u>100%</u>	<u>\$3,490,933</u>	<u>100%</u>

* Totals may not add due to rounding.

⁽¹⁾ Includes participation with neighboring BOCES

Source: OHM BOCES records.

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OHM BOCES Statement of Revenues, Expenditures, and Changes in Fund Balance

The following chart presents, for the preceding five school years, OHM BOCES’ General Fund revenues, expenses, and fiscal year surpluses.

Oneida Herkimer and Madison Counties BOCES Revenues and Expenses

	School Year Ending <u>June 30, 2011</u>	School Year Ending <u>June 30, 2012</u>	School Year Ending <u>June 30, 2013</u>	School Year Ending <u>June 30, 2014</u>	School Year Ending <u>June 30, 2015</u>
General Fund Revenue	\$54,322,582	\$56,239,256	\$56,793,787	\$60,313,677	\$62,509,917
General Fund Expenditures	<u>(49,640,506)</u>	<u>(51,800,450)</u>	<u>(52,068,788)</u>	<u>(55,404,175)</u>	<u>(61,153,954)</u>
Fiscal Year Surplus	\$4,682,076	\$4,738,806	\$4,724,999	\$4,909,502	\$1,355,963

Source: OHM BOCES records.

State Aid Appropriations to OHM BOCES

The following chart presents the amount of State aid accrued by OHM BOCES during the past five school years ended June 30 of the years shown, although a portion of such amount may have been received by OHM BOCES in the next school year. State aid for administrative services expenses is based on the preceding year’s expenditures, while capital and facilities rental aid is based on the OHM BOCES budget for the year in which it is received.

State Aid Appropriations to Oneida Herkimer and Madison Counties BOCES

School Year <u>Ending June 30,</u>	<u>State Aid</u>
2015	\$24,240,792
2014	22,625,127
2013	23,345,734
2012	22,134,177
2011	21,817,325

Source: OHM BOCES records.

Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State’s school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller developed a Fiscal Stress Monitoring System (“FSMS”) to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State’s school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district’s ST-3 report filed with the State Education Department annually, and each municipality’s annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in “significant fiscal stress”, in “moderate fiscal stress,” as “susceptible to fiscal stress” or “no designation”. Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of “no designation.” This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity’s financial information, when objectively

scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates 3 of the 12 component districts of OHM BOCES as “Susceptible to Fiscal Stress”, 1 of the 12 component districts of OHM BOCES as “Moderate Fiscal Stress” and 8 of the 12 component districts of OHM BOCES as “No Designation”

For a complete information on the Comptroller’s Fiscal Stress Monitoring System visit:

<http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm>

Note: Reference to websites implies no warranty of accuracy of information therein and such information is not incorporated herein.

Future Capital Projects

All New York State school districts and BOCES are required to periodically develop building condition surveys and conduct annual visual inspections for their respective facilities. At the present time OHM BOCES has no specific capital improvement plans that will require borrowing.

Indebtedness

Upon the refunding of the Refunded Bonds related to OHM BOCES with a portion of the proceeds of the Series 2016 Bonds, the only outstanding indebtedness of OHM BOCES will be the Series 2016 Bonds.

OHM BOCES, from time to time, borrows in anticipation of revenues to be received from the State. These borrowings are made due to the timing of the receipt of payments from the State. OHM BOCES expects to issue revenue anticipation notes in an amount up to \$20 million during the current fiscal year.

Litigation

There are no suits pending or, to the knowledge of the members of the OHM BOCES Board, threatened against OHM BOCES wherein an unfavorable result would have a material adverse effect on the financial condition of OHM BOCES or the Bonds. Any litigation pending is generally of a routine nature which does not affect the right of OHM BOCES to conduct its business or affect the validity of its obligations.

GASB 45 and OPEB

The BOCES contracted with Armory Associates, LLC to calculate its “other post-employment benefits” (“OPEB”) plan (the “Plan”) in accordance with GASB 45. As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability (AAL), the portion of the actuarial present value of the total future benefits based on the employees’ service rendered to the measurement date, is \$87,986,419. The actuarial value of the Plan’s assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$87,986,419. For the fiscal year ending June 30, 2015, the BOCES beginning year Net OPEB obligation was \$46,589,416. The BOCES annual OPEB expense was \$10,078,705 and is equal to the adjusted annual required contribution (ARC). The BOCES is on a pay-as-you-go funding basis and paid \$1,576,882 to the Plan for the fiscal year ending June 30, 2015 to 654 employees, resulting in a net increase to its unfunded OPEB obligation of \$8,501,823, for a fiscal year ending June 30, 2015 total net unfunded OPEB obligation of \$55,091,239. The aforementioned liability and ARC are recognized and disclosed in accordance with GASB 45 standards in the BOCES June 30, 2015 financial statements. The BOCES has reserved \$0 toward its OPEB liability. See also “PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES –GASB 45 and OPEB.”

Note: This information has been developed pursuant to the most recent audit and information from the District and has not been audited.

Pension Payments

Set forth below is a table of payments made by OHM BOCES to ERS and TRS for the 2011-2012 through 2015-2016 fiscal years:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2011-12	\$1,003,206	\$1,838,370
2012-13	1,117,566	1,952,357
2013-14	1,378,618	2,651,131
2014-15	1,316,313	2,881,880
2015-16 (Budgeted)	1,277,589	2,885,960

PART 6 – THE REFUNDING PLAN

The Refunding Plan for the Series 2016 Bonds consists of the refunding of all of DASNY’s Master BOCES Program Lease Revenue Bonds (Oneida Herkimer Madison Issue), Series 2008 issued by DASNY in the original aggregate principal amount of \$38,550,000 and outstanding in the principal balance of \$29,035,000 (the “Refunded Bonds”) for the benefit of OHM BOCES. A portion of the proceeds of the Series 2016 Bonds and other available funds will be used to pay the principal, interest and redemption price of all the Refunded Bonds. A portion of the proceeds of the Series 2016 Bonds and other funds will be used to acquire Defeasance Securities (as defined in Appendix A), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the maturing principal and interest on the Refunded Bonds prior to August 15, 2018 and to pay the redemption price and interest on the remaining Refunded Bonds on August 15, 2018. The Defeasance Securities and cash described above will be deposited with the trustee under the Master Resolution upon the issuance and delivery of the Series 2016 Bonds and will be held in trust solely for the payment of the redemption price of and interest on the Refunded Bonds. At the time of or prior to such deposit, DASNY will give such trustee irrevocable instructions to give notice of the refunding and redemption of the Refunded Bonds and to apply the proceeds from the Defeasance Securities, together with any initial cash deposit, to the payment of the redemption price of and interest on the Refunded Bonds. In the opinion of Hodgson Russ LLP, Bond Counsel, upon making such deposits with such trustee and the issuance of certain irrevocable instructions to such trustee, the Refunded Bonds will, under the terms of the Master Resolution, be deemed to have been paid and will no longer be outstanding under the Master Resolution and the pledge of the revenues or other moneys and securities pledged to the Refunded Bonds shall be discharged and satisfied. See “PART 16 – VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

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PART 7 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of the Series 2016 Bonds	\$24,535,000
Original Issue Premium	4,455,511
Transfer from Refunded Bonds Funds and Accounts	3,448,880
Total Sources	<u>\$32,439,391</u>

Uses of Funds

Deposit to Refunding Escrow	\$31,993,434
OHM BOCES Reserve Fund Facility Fee	46,753
Costs of Issuance ¹	290,161
Underwriter's Discount	109,043
Total Uses	<u>\$32,439,391</u>

¹ Includes certain legal fees, issuer fees, rating agency fees and other expenses.

PART 8 – DASNY

Background, Purposes and Powers

DASNY is a body corporate and politic constituting a public benefit corporation. DASNY was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II. Over the years, the State Legislature has expanded DASNY's scope of responsibilities. Today, pursuant to the Dormitory Authority Act, DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities.

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), State University of New York, the Workers' Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At December 31, 2015, DASNY had approximately \$48.1 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. All of DASNY's outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from

payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY's special obligations are solely dependent upon payments made by DASNY's client for which the particular special obligations were issued and the security provisions relating thereto.

DASNY also offers a variety of construction services to certain educational, governmental and not-for-profit institutions in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, interior design of projects and designing and managing projects to rehabilitate older facilities.

In connection with the powers described above, DASNY has the general power to acquire real and personal property, give mortgages, make contracts, operate certain facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, borrow money and adopt a program of self-insurance.

DASNY has a staff of approximately 490 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 45 field sites across the State.

Governance

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. One of the appointments to the Board by the Governor is currently vacant.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of DASNY annually choose the following officers, of which the first two must be members of DASNY: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of DASNY are as follows:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc., Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2016.

JOHN B. JOHNSON, JR., *Vice-Chair*, Watertown.

John B. Johnson, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Johnson is Chairman of the Board of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He holds a Bachelor's degree from Vanderbilt University, and Masters degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2016.

SANDRA M. SHAPARD, *Secretary*, Delmar.

Sandra M. Shapard was appointed as a Member of DASNY by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director

for the New York State Division of the Budget from 1991 to 1994. She began her career in New York State government with the Assembly where she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

JONATHAN H. GARDNER, ESQ., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

BERYL L. SNYDER, J.D., New York.

Beryl L. Snyder was reappointed as a member of DASNY by the Governor on June 19, 2013. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2016.

GERARD ROMSKI, Esq., Mount Kisco.

Gerard Ronski was reappointed as a Member of DASNY by the Temporary President of the State Senate on June 21, 2012. He is Counsel and Project Executive for "Arverne by the Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, New York. Mr. Ronski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Ronski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

Roman B. Hedges was appointed as a Member of DASNY by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. He was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

MARYELLEN ELIA, *Commissioner of Education of the State of New York, Loudonville; ex-officio.*

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department, and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

HOWARD A. ZUCKER, M.D., J.D., *Commissioner of Health of the State of New York, Albany; ex-officio.*

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that he served as First Deputy Commissioner leading the state Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before

joining the state Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a J.D. from Fordham University School of Law and a LL.M. from Columbia Law School.

ROBERT F. MUJICA, JR., *Budget Director of the State of New York, Albany; ex-officio.*

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his B.A. degree in Sociology from Brooklyn College at the City University of New York. He received his Masters degree in Government Administration (M.G.A.) from the University of Pennsylvania and holds a Juris Doctorate (J.D.) from Albany Law School.

The principal staff of DASNY is as follows:

GERRARD P. BUSHHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts degree, Master of Arts degree and Ph.D. in Political Science from Columbia University.

MICHAEL T. CORRIGAN is the Vice President of DASNY, and assists the President in the administration and operation of DASNY. Mr. Corrigan came to DASNY in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County and served as the County's Budget Director from 1986 to 1995. Immediately before coming to DASNY, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor of Arts degree in Economics from the State University of New York at Plattsburgh and a Master of Arts degree in Business Administration from the University of Massachusetts.

KIMBERLY J. NADEAU, CPA, J.D. is the Chief Financial Officer and Treasurer of DASNY. As Chief Financial Officer and Treasurer, Ms. Nadeau is responsible for supervising DASNY's investment program, general accounting, accounts payable, accounts receivable and financial reporting functions, as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. She previously was Vice President-Accounting and Controller for US Light Energy. Prior to that she was Vice President-Accounting and Controller for CH Energy Group, Inc. and held various positions culminating in a director level position at Northeast Utilities. Ms. Nadeau also held various positions with increasing responsibility at Coopers & Lybrand LLP. She holds a Bachelor of Science degree in Accounting, a Master of Business Administration with a concentration in Management and a Juris Doctor degree from the University of Connecticut. She is licensed to practice law in New York and Connecticut.

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all DASNY financings. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor of Arts degree from the State University of New York at Albany.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined DASNY in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and has worked in the construction industry for more than 30 years. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CAROLINE V. GRIFFIN is the Chief of Staff of DASNY. She is responsible for overseeing intergovernmental relations and managing the Communications + Marketing Department, as well as coordinating policy and operations across DASNY's multiple business lines. Ms. Griffin most recently served as the Director of Intergovernmental Affairs for Governor Andrew M. Cuomo where she worked as the Governor's liaison with federal, state and local elected officials and managed staff serving in various capacities in the Governor's Office. Prior to that she served as the Assistant Executive Deputy Secretary for Governor Andrew M. Cuomo overseeing the operations staff and Assistant Secretary for Intergovernmental Affairs for both Governor David A. Paterson and Governor Eliot Spitzer. She holds a Bachelor of Arts degree in Communications from Boston College.

CAPRICE G. SPANN is the Managing Director of the Office of Executive Initiatives. Ms. Spann is responsible for strategic efforts in program development, including the utilization of Minority and Women-Owned Businesses and Service-Disabled Veteran-Owned ("SDVO") Business Enterprises, Information Services and the integration of Sustainability Programs, with respect to DASNY's projects and in its business processes. She holds a Bachelor of Arts degree from the University of Wisconsin and a Master of Business Administration from Fordham University.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against DASNY, DASNY believes that such claims and litigation either are covered by insurance or by bonds filed with DASNY, or that DASNY has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such matters.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by DASNY and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. DASNY obtains the approval of the PACB for the issuance of all of its bonds and notes.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect DASNY and its operations. DASNY is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including DASNY) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect DASNY and its operations.

Environmental Quality Review

DASNY complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2015. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 9 – LEGALITY OF THE SERIES 2016 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2016 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries of the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual public benefit corporations and authorities of the State may limit the investment of funds of such authorities in the Series 2016 Bonds.

The Series 2016 Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 10 – NEGOTIABLE INSTRUMENTS

The Series 2016 Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Master Resolution and in the Series 2016 Bonds.

PART 11 – TAX MATTERS

General

In the opinion of each Co-Bond Counsel, under existing law and assuming compliance by DASNY and of OHM BOCES with certain covenants and the requirements of the Code described below and the accuracy and completeness of certain representations of DASNY and OHM BOCES, interest on the Series 2016 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations under the Code. Such interest is, however, taken into account in determining adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Each Co-Bond Counsel is further of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxes of the State of New York and any political subdivision thereof, including The City of New York and the City of Yonkers. Co-Bond Counsel express no opinion regarding any other State of New York or local tax consequences arising with respect to the Series 2016 Bonds nor as to the taxability of the Series 2016 Bonds or the income therefrom under the laws of any state other than the State of New York.

The Code establishes certain requirements that must be met as of and subsequent to the issuance and delivery of the Series 2016 Bonds for interest thereon to be and remain excludable from gross income for federal income tax purposes. Included among these requirements are requirements regarding, among other matters, the use and expenditure of gross proceeds of the Series 2016 Bonds, use of the facilities financed or refinanced with the proceeds of the Series 2016 Bonds, yield and other restrictions on investments of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earning on gross proceeds be rebated to the federal government. Failure to comply with the requirements of the Code applicable to the Series 2016 Bonds may cause interest on the Series 2016 Bonds to be includable in gross income for purposes of federal income tax retroactive to the date of

original execution and delivery of the Series 2016 Bonds, regardless of the date on which the event causing such inclusion occurs.

DASNY shall covenant in the tax certificate to be executed and delivered by DASNY in connection with the issuance of the Series 2016 Bonds to comply with the requirements of the Code applicable to the Series 2016 Bonds in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. OHM BOCES shall covenant in its tax certificate to be executed and delivered in connection with the issuance of the Series 2016 Bonds to comply with the requirements of the Code applicable to the Series 2016 Bonds in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. OHM BOCES has covenanted in the Agreement and in the related Tax Certificate to be executed in connection with the Series 2016 Bonds, that it will not take any action, permit any action to be taken, or omit to take any action, which action or omission will adversely affect the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes.

Interest on the Series 2016 Bonds is not treated as an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals and corporations under the Code. Interest on Series 2016 Bonds owned by a corporation will, however, be included in the calculation of the corporation's federal alternative minimum tax liability.

The Code contains other provisions (some of which are noted below) that could result in tax consequences, upon which each Co-Bond Counsel renders no opinion, as a result of ownership of the Series 2016 Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

In rendering its opinion with respect to the Series 2016 Bonds, each Co-Bond Counsel has relied on certain representations, undertakings, certifications of fact and statements of reasonable expectations made by DASNY and OHM BOCES, and each Co-Bond Counsel has assumed compliance by DASNY and OHM BOCES with certain ongoing covenants to carry out such undertakings and comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2016 Bonds from gross income under Section 103 of the Code. Co-Bond Counsel will not independently verify the accuracy of those representations, undertakings, certifications of fact and statements of reasonable expectations.

See "Appendix F – Form of Approving Opinions of Co-Bond Counsel".

Certain requirements and procedures contained or referred to in the Resolutions, the Agreement, the various tax certificates and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Co-Bond Counsel. The opinions of Hodgson Russ LLP and Golden Holley James LLP, state that such firms, as Co-Bond Counsel, express no opinion as to the effect on the exclusion from gross income of interest on the Series 2016 Bond if any such change occurs or action is taken or not taken after the date of delivery of the Series 2016 Bonds in reliance on the opinion or advice of counsel other than Hodgson Russ LLP or Golden Holley James LLP, respectively.

Certain Collateral Federal Tax Consequences

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty and life insurance companies, certain foreign corporations doing business in the United States, certain S-corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers should consult their tax advisers as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Series 2016 Bonds. Co-Bond Counsels express no opinion regarding any such collateral federal income tax consequences.

Bond Premium

The excess, if any, of the tax adjusted basis of a maturity of any Series 2016 Bonds purchased as part of the initial public offering by a purchaser (other than a purchaser who holds such Series 2016 Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity constitutes “bond premium.” Owners of a maturity of the Series 2016 Bonds with bond premium (a “Premium Bond”) will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the initial owner of a Premium Bond may realize taxable gain upon disposition of Premium Bonds even though sold or redeemed for an amount less than or equal to such owner’s original cost of acquiring such Premium Bonds. In general, bond premium is amortized over the term of a Premium Bond for Federal income tax purposes in accordance with constant yield principles based on the owner’s yield over the remaining term of such Premium Bond (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). The Owner of a Premium Bond is required to decrease such Owner’s adjusted basis in such Premium Bond by the amount of amortizable bond premium attributable to each taxable year such Premium Bond is held. The amortizable bond premium on such Premium Bond attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Premium Bond.

Prospective purchasers of any Premium Bond should consult their tax advisors with respect to the determination for purposes of federal income taxation of the treatment of bond premium upon the sale or other disposition of such Premium Bond and with respect to the state and local tax consequences of acquiring, owning and disposing of such Premium Bond.

Information Reporting and Backup Withholding

Interest paid on the Series 2016 Bonds will be subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2016 Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the IRS.

Future Developments

The opinion of each Co-Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authority and represents Co-Bond Counsel’s respective judgment as to the proper treatment of the Series 2016 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Current and future legislative proposals, if enacted into law, administrative actions or court decisions, at either the federal or state level, may cause interest on the Series 2016 Bonds to be subject, directly or indirectly, to federal income taxation or to be subjected to State or local income taxation, or otherwise have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2016 Bonds for federal or state income tax purposes. The introduction or enactment of any such legislative proposals, administrative actions or court decisions may also affect, perhaps significantly, the value or marketability of the Series 2016 Bonds. For example, various proposals have been made in Congress and by the President (the “Proposed Legislation”), which if enacted, could limit the exclusion from gross income of interest on obligations like the Series 2016 Bonds for taxpayers who are individuals and whose income is subject to higher marginal tax rates, could subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Series 2016 Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation, or that could otherwise significantly reduce the benefit of the exclusion from gross income of interest on obligations like the Series 2016 Bonds. It is unclear if the

Proposed Legislation would be enacted, whether in its current or an amended form, or if other legislation that could subject interest on the Series 2016 Bonds to a tax or cause interest on the Series 2016 Bonds to be included in the computation of a tax, will be introduced or enacted. It is not possible to predict whether any other legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2016 Bonds may occur. Prospective purchasers of the Series 2016 Bonds should consult their own advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Co-Bond Counsel express no opinion.

Each Co-Bond Counsel's engagement with respect to the Series 2016 Bonds ends with the issuance of the Series 2016 Bonds and, unless separately engaged, neither Co-Bond Counsel is obligated to defend DASNY or the Bondholders regarding the tax-exempt status of the Series 2016 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than DASNY and its appointed counsel, including the Bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which DASNY legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2016 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2016 Bonds, and may cause DASNY, OHM BOCES or the Bondholders to incur significant expense.

PART 12 – STATE NOT LIABLE ON THE SERIES 2016 BONDS

The Act provides that notes and bonds of DASNY shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of DASNY. The Master Resolution specifically provides that the Series 2016 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 13 – COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of DASNY's notes and bonds that the State will not limit or alter the rights vested in DASNY to fulfill the terms of any agreement made with the holders of DASNY's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreement contained in the Act, the State may, in the exercise of its sovereign power, enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreement with DASNY and with the holders of DASNY's notes or bonds. The Act specifically provides that the State covenants with holders of the Bonds not to repeal, revoke, rescind or modify the provisions of the Act so as to limit, impair or impede the security afforded by that portion of the Act requiring the Comptroller of the State of New York to deduct from any State funds appropriated to a BOCES an amount equal to the amount payable by such BOCES to DASNY under the Agreement for the ensuing school year and further provides that no lien or charge which is prior in time or superior in right to such deduction shall be created; provided however, that nothing in the Act shall require the State to continue the payment of State aid to boards of cooperative educational services or prevent the State repealing or amending any law providing for the apportionment of such aid.

PART 14 – LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2016 Bonds by DASNY are subject to the approval of Hodgson Russ LLP and Golden Holley James LLP, as Co-Bond Counsel to DASNY, whose approving opinions will be delivered with the Series 2016 Bonds. The proposed form of opinion to be delivered, respectively, by Hodgson Russ LLP and Golden Holley James LLP, as Co-Bond Counsel is set forth in Appendix F hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Law Offices of Joseph C. Reid, P.A., New York, New York, and for OHM BOCES by its special counsels, Orrick, Herrington & Sutcliffe LLP, New York, New York and Ferrara, Fiorenza, Larrison, Barrett, & Reitz, P.C., Syracuse, New York.

There is no pending litigation restraining or enjoining the issuance or delivery of the Series 2016 Bonds or questioning or affecting the validity of the Series 2016 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of DASNY to finance any Project in accordance with the provisions of the Act, the Resolutions and the Agreement.

PART 15 – UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) has agreed, subject to certain conditions, to purchase the Series 2016 Bonds from DASNY at an aggregate purchase price of \$28,881,467.70 and to make a public offering of the Series 2016 Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all Series 2016 Bonds if any are purchased.

The Series 2016 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of DASNY and/or OHM BOCES. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of DASNY and/or OHM BOCES.

PART 16 – VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey, Demgen & Moore P.C., upon the issuance of the Series 2016 Bonds, shall issue a report regarding (a) the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the obligations, if any, deposited with the trustee under the Master Resolution to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and redemption price coming due on the Refunded Bonds, as described herein in “PART 6 – THE REFUNDING PLAN,” and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 2016 Bonds are not “arbitrage bonds” under the Code and the applicable income tax regulations.

PART 17 – CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), OHM BOCES will enter into a written agreement (the “Continuing Disclosure Agreement”) with Digital Assurance Certification

LLC (“DAC”), as disclosure dissemination agent, the Trustee, and DASNY. The proposed form of the Continuing Disclosure Agreement is attached hereto as Appendix E.

Historical Compliance

On January 17, 2013, Moody's Investors Service Inc. downgraded Assured Guaranty Municipal Corp. (the “Insurer”), the insurer of the Refunded Bonds, from Aa3 to A2; however, the rating on the Refunded Bonds was not affected. Therefore, an event notice relating to such rating change was not filed with EMMA. In addition, the Annual Financial Information of OHM BOCES for June 30, 2015 omitted the 2015 state aid appropriations data point, which information was subsequently filed.

PART 18– RATINGS

Moody’s Investors Service Inc. has assigned a rating of Aa2, on the Series 2016 Bonds.

The rating reflects only the rating agency issuing such rating and is not a recommendation by such rating agency to purchase, sell or hold the obligations rated or as to the market price or suitability of such obligations for a particular investor. Generally, a rating agency bases its rating and outlook, if any, on the information and material furnished to it and on investigations, studies and assumptions of its own. An explanation of the significance of any rating may be obtained only from the rating agency furnishing such rating. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised upward or downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price or marketability of the Series 2016 Bonds.

PART 19 – SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning OHM BOCES included in this Official Statement has been furnished or reviewed and authorized for use by DASNY by such sources as described below. While DASNY believes that these sources are reliable, DASNY has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. DASNY is relying on certificates from each source, to be delivered at or prior to the time of delivery of the Series 2016 Bonds, as to the accuracy of such information provided or authorized by it.

OHM BOCES. The information in “PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES,” “PART 5 – OHM BOCES,” and “PART 7 – ESTIMATED SOURCES AND USES OF FUNDS” was supplied by OHM BOCES. DASNY believes that this information is reliable, but DASNY makes no representations or warranties whatsoever to the accuracy or completeness of this information.

The New York State Department of Education (the “Department”). The information contained herein relating to BOCES generally and to the Department’s participation in the transactions contemplated herein has been reviewed for accuracy by the Department. DASNY believes that this information is reliable, but DASNY makes no representations or warranties whatsoever to the accuracy or completeness of this information.

DTC. The information regarding DTC and DTC’s book-entry only system has been furnished by DTC. DASNY believes that this information is reliable, but makes no representations or warranties whatsoever to the accuracy or completeness of this information.

Co-Bond Counsel. “Appendix A - Definitions”, “Appendix C - Summary of Certain Provisions of the Lease and Agreement,” “Appendix D - Summary of Certain Provisions of the Master Resolution” and “Appendix F – Form of Approving Opinions of Co-Bond Counsel” have been prepared by Hodgson Russ LLP and Golden Holley James LLP.

DASNY. DASNY provided the balance of the information in or appended to this Official Statement, except as otherwise specifically noted herein.

DASNY will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2016 Bonds, the information contained in this Official Statement is and will be fairly presented in all material respects, and that this Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (it being understood that DASNY has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to OHM BOCES, but which information DASNY has no reason to believe is untrue or incomplete in any material respect).

The references herein to the Act, other laws of the State, the Resolutions, the Agreement and the Agreement of Lease are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The Agreement of DASNY with the registered owners of the Series 2016 Bonds are fully set forth in the Resolutions, and neither any advertisement of the Series 2016 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2016 Bonds. So far as any statements are made in this Official Statement involving matters of opinion or an estimate, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of DASNY and the Trustee.

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The execution and delivery of this Official Statement by an Authorized Officer have been duly authorized by DASNY.

**DORMITORY AUTHORITY OF
THE STATE OF NEW YORK**

By: /s/Gerrard P. Bushell
Authorized Officer

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DEFINITIONS

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DEFINITIONS

The following are definitions of certain of the terms defined herein, or in the Master Resolution or the Agreement and used in this Official Statement.

Accreted Value means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or the Bond Series Certificate relating to such Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

Act means the Dormitory Authority Act, being and constituting Title 4 of Article 8 of the Public Authorities Law of the State, as amended.

Administrative Expenses means expenses incurred by the Authority in carrying out its duties under the Agreement and under the Resolution, the BOCES Lease, and any other document, instrument, agreement, law, rule or regulation related to any Leased Property including, without limitation, accounting, administrative, financial advisory and legal expenses incurred in connection with the financing and construction of the Project, the fees and expenses of the Trustee, any Paying Agents or any other fiduciaries acting under the Resolution, the fees and expenses of any Facility Provider, the costs and expenses incurred in connection with the determination of the rate at which a Variable Interest Rate Bond is to bear interest and the remarketing of such Bond, the cost of providing insurance with respect to the Leased Property and the Project, judgments or claims payable by the Authority for the payment of which the Authority has been indemnified or held harmless pursuant to the Agreement, but only to the extent that moneys in the Construction Fund are not available therefor, and expenditures to compel full and punctual performance of the BOCES Lease, the Agreement, or any document, instrument or agreement related thereto in accordance with its terms.

Agreement means the Lease and Agreement, dated as of February 10, 2016, between the Authority and the BOCES, from time to time amended or supplemented in accordance with the terms and provisions of the Resolution.

Annual Administrative Fee means when used with respect to any Bond Year, a share of the general overhead and administrative expenditures of the Authority reasonably allocated to the Project for such Bond Year by the Authority in accordance with a formula approved by the Comptroller of the State of New York.

Applicable means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Building and Equipment Reserve Fund, Debt Service Fund, Debt Service Reserve Fund, the fund so designated and established by an Applicable Series Resolution authorizing an Applicable Series of Bonds relating to a particular Project, (ii) with respect to any Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Bonds by the Master Resolution or the Applicable Series Resolution, (iii) with respect to any Series Resolution, the Series Resolution relating to a particular Series of Bonds, (iv) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for a particular Project for a particular BOCES, (v) with respect to any Agreement or Lease Agreement, the Applicable Agreement or Applicable Lease Agreement, as the case may be, entered into by and between a BOCES and the Authority, relating to all Projects for a particular BOCES, (vii) with respect to a Credit Facility or Liquidity Facility, the Credit Facility or Liquidity Facility identified in the Applicable Series Resolution, (viii) with respect to a Bond Series Certificate, such certificate authorized pursuant to an Applicable Series Resolution, (ix) with respect to a Reserve Fund Facility and a Facility Provider, a Reserve Fund Facility which constitutes all or any part of the Debt Service Reserve Fund Requirement in connection with an Applicable Series of Bonds or the Facility Provider thereof, and (x) with respect to Revenues and Pledged Revenues, the amounts payable to the Authority on account of a Series of Bonds.

Appreciated Value means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Applicable Series Resolution authorizing such Deferred Income Bond or in the Bond Series Certificate relating to such Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

Arbitrage Rebate Fund means each such fund so designated, created and established by the Applicable Series Resolution.

Authority Fee means the fee payable to the Authority in the amount of \$75,000 as compensation for all of the Authority's internal costs and overhead expenses attributable to an issuance of the Bonds, excluding Administrative Expenses and the Annual Administrative Fee.

Authorized Officer means (i) in the case of the Authority, the Chairman, the Vice-Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the General Counsel, the Chief Information Officer, and a Managing Director, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of a BOCES, when used with reference to any act or document, means the person identified in the Master Resolution or in the Applicable Agreement or Applicable Lease Agreement, as authorized to perform such act or execute such document, and in all other cases means the Superintendent or an officer or employee of a BOCES authorized in a written instrument signed by the Superintendent; and (iii) in the case of the Trustee, the President, a Vice President, a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

Basic Rent means that portion of the Rentals payable pursuant to the Applicable Agreement.

BOCES means a Board of Cooperative Educational Services, a corporation established pursuant to section 2201 and operating pursuant to sections 1950 and 1951 of the Education Law of the State of New York.

BOCES Lease or *Lease* means the Agreement of Lease, dated as of February 10, 2016, between the BOCES, as lessor, and the Authority, as lessee, as it may be from time to time amended, modified and supplemented.

Bond or Bonds means any of the bonds of the Authority, including the Series 2016 Bonds, authorized and issued pursuant to the Master Resolution and to an Applicable Series Resolution.

Bond Counsel means an attorney or a law firm, appointed by the Authority with respect to a particular Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bond Series Certificate means the certificate of an Authorized Officer of the Authority, including the Series 2016 Bond Series Certificate, fixing terms, conditions and other details of Bonds of an Applicable Series in accordance with the delegation of power to do so under the Master Resolution or under the Applicable Series Resolution authorizing the issuance of such Bonds.

Bond Year means unless otherwise stated in the Applicable Series Resolution, a period of twelve (12) consecutive months beginning August 15 in any calendar year and ending on August 14 of the succeeding calendar year.

Bondholder, Holder of Bonds or Holder or any similar term, when used with reference to a Bond or Bonds, means the registered owner of any Bond.

Building and Equipment Reserve Fund means each such fund so designated and established by the Applicable Series Resolution.

Business Day means any day which is not a Saturday, Sunday or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided, however, that, with respect to Option Bonds or Variable Interest Rate Bonds of a Series, such term means any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, the Trustee or the issuer of a Credit Facility or Liquidity Facility for such Bonds are legally authorized to close in The City of New York.

Capital Appreciation Bond means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Construction Fund means each such fund so designated, created and established by the Applicable Series Resolution pursuant to the Master Resolution.

Cost or Costs of Issuance means the items of expense incurred in connection with the authorization, sale and issuance of an Applicable Series of Bonds, which items of expense will include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Depository, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, fees and charges for insurance on Bonds, commitment fees or similar charges of a Remarketing Agent or relating to a Credit Facility or a Liquidity Facility, costs and expenses of refunding such Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

Cost or Costs of the Project means with respect to an Applicable Project costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with the Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of such Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of such Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising such Project, (v) costs and expenses required for the acquisition and installation of furnishings, equipment, machinery and apparatus, (vi) all other costs which the Applicable BOCES or the Authority will be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of such Project, (vii) any sums required to reimburse the BOCES or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with such Project (including interest on borrowed money), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of such Project, and (ix) fees, expenses and liabilities of the Authority incurred in connection with such Project or pursuant hereto or to the Applicable Agreement or Applicable Lease Agreement, a Credit Facility, a Liquidity Facility or a Remarketing Agreement.

Credit Facility means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, municipal bond insurance policy or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state

of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms, plus accrued interest thereon to the date of payment, purchase or redemption thereof, in accordance with the Master Resolution and with the Series Resolution authorizing such Bonds or a Bond Series Certificate, whether or not the Authority is in default under the Master Resolution.

Debt Service Fund means the fund so designated, created and established by the Applicable Series Resolution.

Debt Service Reserve Fund means the fund so designated, created and established by the Applicable Series Resolution.

Debt Service Reserve Fund Requirement means, as of any particular date of computation, with respect to Bonds of a Series, one-half of the amount equal to the greatest amount required in the then current or any future calendar year to pay the sum of the principal and Sinking Fund Installments of and interest on such Series of Outstanding Bonds payable during such year, excluding interest accrued thereon prior to August 15 of the next preceding year, except that if, upon the issuance of a Series of Bonds, such amount would require moneys, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, to be deposited therein, the Debt Service Reserve Fund Requirement will mean an amount equal to the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, as certified by an Authorized Officer of the Authority; provided, however, that for purposes of this definition (a) the principal and interest portions of the Accreted Value of a Capital Appreciation Bond and the Appreciated Value of a Deferred Income Bond becoming due at maturity or by virtue of a Sinking Fund Installment will be included in the calculations of interest and principal payable on August 15 of the year in which such Capital Appreciation Bond or Deferred Income Bond matures or in which such Sinking Fund Installment is due, (b) an Option Bond Outstanding during any Bond Year will be assumed to mature on the stated maturity date thereof, and (c) it will be assumed that a Variable Interest Rate Bond, prior to its conversion to bear interest at a fixed rate to its maturity, bears interest during any year at the higher of (1) a fixed rate of interest equal to that rate, as estimated by an Authorized Officer of the Authority, after consultation with the remarketing agent, if any, for such Variable Interest Rate Bond if it is also an Option Bond or, if it is not, with an investment banking firm which is regularly engaged in the underwriting of or dealing in bonds of substantially similar character, on a day not more than twenty (20) days prior to the date of initial issuance of such Variable Interest Rate Bond, which such Variable Interest Rate Bond would have had to bear to be marketed at par on such date as a fixed rate obligation maturing on the maturity date of such Variable Interest Rate Bond, and (2) a rate, not less than the initial rate of interest on such Variable Interest Rate Bond, set forth in or determined pursuant to a formula set forth in the Applicable Series Resolution authorizing such Variable Interest Rate Bond or in the Applicable Bond Series Certificate relating to such Bond, and (d) if a Variable Interest Rate Bond will be converted to a fixed rate Bond for the remainder of the term thereof and as a result of such conversion a deficiency will be created in the Debt Service Reserve Fund, the Debt Service Reserve Fund Requirement will be calculated so as to exclude the amount of such deficiency and the Debt Service Reserve Fund Requirement will be increased in each of the five (5) years after the date of such conversion by an amount which will be equal to twenty per centum (20%) of the aforesaid deficiency.

Defeasance Security means (a) a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment), an obligation to which the full faith and credit of the United States of America are pledged (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment) and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America, which, in each case, is not subject to redemption prior to maturity other than at the option of the holder thereof or which has been irrevocably called for redemption on a stated future date or (b) an Exempt Obligation (i) which is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by

the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or direct obligations of the United States of America which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) which are rated by a Rating Agency in the highest rating category of each such rating service for such Exempt Obligation; provided, however, that such term will not mean any interest in a unit investment trust or mutual fund.

Deferred Income Bond means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on February 15 and August 15 of each Bond Year.

Depository means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series.

Exempt Obligation means (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a “specified private activity bond” within the meaning of Section 57(a)(5) of the Code, and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Master Resolution, is rated, without regard to qualification of such rating by symbols such as “+” or “-” and numerical notation, in not less than the second highest rating category of each Rating Agency rating such obligation, or, if such obligation is not rated by a Rating Agency, has been assigned a comparable rating by another nationally recognized rating service or (ii) United States Treasury Demand Deposit Certificates of Indebtedness - State and Local Government Series, to the extent treated as a tax exempt obligation for purposes of Section 148 of the Code.

Facility Provider means the issuer of a Credit Facility, a Liquidity Facility or a Reserve Fund Facility delivered to the Applicable Trustee pursuant to the Master Resolution.

Fitch means Fitch, Inc., a corporation organized and created under the laws of the State of Delaware and its successors and assigns.

Government Obligation means a direct obligation of the United States of America, an obligation the principal of and interest on which are guaranteed by the United States of America, an obligation (other than an obligation the payment of the principal of which is not fixed as to amount or time of payment) to which the full faith and credit of the United States of America are pledged, an obligation of any federal agency approved by the Authority, a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America or a share or interest in a mutual fund, partnership or other fund wholly comprised of such obligations.

Interest Commencement Date means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Applicable Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, after which interest accruing on such Bond will be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on February 15 and August 15 of each Bond Year.

Investment Agreement means an agreement for the investment of moneys with a Qualified Financial Institution.

Leased Property means the real property described in Exhibit A to the Agreement, the buildings and improvements situated thereon or from time to time erected thereon and the Personal Property now or hereafter situated on or used in connection therewith (but only to the extent such Personal Property is financed or refinanced with the proceeds of Bonds) constituting “board of cooperative educational services school facilities” as defined in the Act.

Liquidity Facility means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which moneys are to be obtained upon the terms and conditions contained therein for the purchase or redemption of Option Bonds tendered for purchase or redemption in accordance with the terms hereof and of the Applicable Series Resolution authorizing such Bonds or the Applicable Bond Series Certificate relating to such Bonds.

Master Resolution means the Authority’s Master BOCES Program Lease Revenue Bond Resolution, adopted on August 15, 2001, as amended and supplemented.

Maximum Interest Rate means, with respect to any particular Variable Interest Rate Bond, the numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, that will be the maximum rate at which such Bond may bear interest at any time.

Memorandum of Understanding means the Memorandum of Understanding, among the Authority, the New York State Department of Education and the Office of State Comptroller with respect to the Series 2016 Bonds.

Minimum Interest Rate means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond, that will be the minimum rate at which such Bonds may bear interest at any time.

Moody’s means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, or its successors and assigns.

OHM BOCES means the Board of Cooperative Educational Services for the Sole Supervisory District of Oneida, Herkimer and Madison Counties, a corporation established pursuant to section 2201 and operating pursuant to sections 1950 and 1951 of the Education Law of the State of New York.

Option Bond means any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Resolution authorizing such Bonds or the Bond Series Certificate related to such Bonds.

Outstanding, when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Master Resolution and under any Applicable Series Resolution except: (i) any Bond canceled by the Applicable Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Master Resolution; (iii) any Bond in lieu of or in substitution for which another Bond will have been authenticated and delivered pursuant to the Master Resolution; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds or the Bond Series Certificate related to such Bonds on the applicable adjustment or conversion date, if interest thereon will have been paid through such applicable date

and the purchase price thereof will have been paid or amounts are available for such payment as provided in the Agreement and in the Series Resolution authorizing such Bonds.

Paying Agent means, with respect to the Bonds of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Master Resolution or of a Series Resolution, a Bond Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents will be so appointed.

Permitted Encumbrances means and includes:

1. the lien of taxes and assessments and water and sewer rents and charges which are not yet due and payable;
2. rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Leased Property which do not materially impair the use of the Leased Property for the purposes for which it is or may reasonably be expected to be held;
3. minor defects and irregularities in the title to the Leased Property which do not in the aggregate materially impair the use of the Leased Property for the purposes for which it is or may reasonably be expected to be held;
4. easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may reasonably be expected to be held;
5. present or future valid zoning laws and ordinances;
6. any purchase money security interests in any Personal Property, other than with respect to Personal Property financed with the proceeds of the Bonds and any replacements thereof;
7. all other matters of record and state of title at the commencement date of the Agreement, rights of parties in possession and any state of facts which an accurate survey or physical inspection would show;
8. the BOCES Lease;
9. those matters referred to in any title insurance policy with respect to the Leased Property and accepted by the Authority; and
10. such other encumbrances or items to which the BOCES will have consented in writing signed by an Authorized Officer.

Personal Property means all articles of tangible personal property of every kind and description presently located or hereafter placed on or used in connection with the management or operation of the Leased Property other than those which, by the nature of their attachment to the Leased Property become real property pursuant to applicable law, including all escalators and elevators; all heating, ventilating, and air-conditioning equipment; all appliances, apparatus, machinery, motors and electrical equipment; all interior and exterior lighting equipment; all telephone, intercom, audio, music and other sound reproduction and communication equipment; all floor coverings, carpeting, wall coverings, drapes, furniture, trash containers, carts, decorative plants, planters, sculptures, fountains, artwork and other mall, common area, auditorium and office furnishings; all plumbing fixtures, facilities and equipment; all cleaning, janitorial, lawn, landscaping, disposal, firefighting, sprinkler and maintenance equipment and supplies; all books, records, files, financial and accounting records relating to the ownership, operation or management of the Project; all drawings, plans and specifications relating to the improvements; and all other personal property whether similar or dissimilar to the foregoing which is now or in the future used in the ownership, operation or management of the Project, including all additions thereto, proceeds received upon voluntary or involuntary disposition thereof, and all renewals or replacements thereof or articles in substitution therefor.

Plans and Specifications means the final design for the Project, including a complete set of architectural, structural, HVAC, plumbing, electrical, landscape and furniture and equipment drawings, specifications and a shop drawings list which comply with all applicable laws, as well as all required regulatory approvals and utility acceptances, together with any amendments thereto including increasing, decreasing or otherwise modifying the scope of the Project provided that such amendments are approved in writing by the State Education Department and filed with the Authority.

Pledged Revenues means the State funds that are pledged and assigned by a BOCES to the Authority pursuant to an Applicable Agreement to secure the BOCES obligations under such Agreement and that are required by the Act and the Education Law to be paid directly to the Authority or the Applicable Trustee.

Prior Pledges means the liens, pledges, charges, encumbrances and security interests made and given by a BOCES to secure prior obligations incurred by said BOCES, the maintenance of which has been approved by the Authority.

Project (as defined in the Master Resolution) means the acquisition, design, construction, reconstruction, rehabilitation, improvement and equipping of “board of cooperative educational services school facilities” as defined in the Act.

Qualified Financial Institution means (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity or (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; provided, however, that in the case of any entity described in (ii) or (iii) above, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement is entered into by the Authority are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, “A” or better by at least two Rating Agencies, or, if such obligations are not rated by at least two Rating Agencies, have been assigned a comparable rating by at least one Rating Agency, but in no event will such obligations be rated lower than the lowest rating assigned by a Rating Agency to any Outstanding Bonds.

Rating Agency means on any date each of Fitch, Moody’s or S&P that then has, at the request of the Authority, assigned a rating to the Applicable Series of Bonds, and any nationally recognized rating service that has been designated as a rating service by the Authority for purposes of the Master Resolution.

Redemption Price, when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption prior to maturity thereof pursuant to the Master Resolution or to the Applicable Series Resolution or Bond Series Certificate.

Remarketing Agent means the person appointed by or pursuant to a Series Resolution authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or the Bond Series Certificate relating to such Option Bonds.

Rentals means the rent payable under the Agreement.

Reserve Fund Facility means a surety bond, insurance policy or letter of credit which constitutes any part of the Debt Service Reserve Fund Requirement authorized to be delivered to the Trustee pursuant to the Master Resolution.

Resolution means the Master Resolution, as supplemented by the Series 2016 Resolution.

Revenues means (i) the Basic Rent paid by a BOCES pursuant to the Agreement, (ii) the Applicable Pledged Revenues and (iii) the right to receive the same and the proceeds thereof and of such right.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Corporation, or its successors and assigns.

Series means all of the Bonds authenticated and delivered on original issuance and pursuant to the Master Resolution and to the Applicable Series Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Series Resolution means a resolution of the Authority, including the Series 2016 Resolution, authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Master Resolution.

"Series 2016 Bonds" means each series of the Authority's Master BOCES Program Lease Refunding Revenue Bonds, Series 2016, for the BOCES.

Series 2016 Bond Series Certificate means the Certificate of an authorized officer of the Authority, fixing terms, conditions and other details of the Series 2016 Bonds.

Series 2016 Resolution means the Series 2016 Resolution authorizing up to \$34,000,000 Master BOCES Program Lease Refunding Revenue Bonds (Oneida Herkimer Madison Issue), Series 2016, adopted by the Authority on February 10, 2016.

Sinking Fund Installment means, as of any date of calculation, when used with respect to any Bonds of a Series, other than Option Bonds or Variable Interest Rate Bonds, so long as any such Bonds are Outstanding, the amount of money required hereby or by the Series Resolution pursuant to which such Bonds were issued or by the Bond Series Certificate relating thereto, to be paid on a single future August 15 for the retirement of any Outstanding Bonds of said Series which mature after said future August 15, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future August 15 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment, and when used with respect to Option Bonds or Variable Interest Rate Bonds of a Series, so long as such Bonds are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by the Bond Series Certificate relating thereto, to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Rate Interest Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment.

State means the State of New York.

Supplemental Resolution means any resolution of the Authority amending or supplementing the Master Resolution, any Applicable Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provisions of the Master Resolution.

Term Bonds means the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate and payable from Sinking Fund Installments.

Trustee means the bank or trust company appointed as Trustee for the Bonds pursuant to the Applicable Series Resolution or Applicable Bond Series Certificate and having the duties, responsibilities and rights provided for in the Master Resolution with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Master Resolution.

Valuation Date means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income

Bond, the date or dates prior to the Interest Commencement Date and the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or in the Bond Series Certificate relating to such Bond on which specific Appreciated Values are assigned to such Deferred Income Bond.

Variable Interest Rate means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bonds, which will be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times or (ii) a stated interest rate that may be changed from time to time as provided in the Series Resolution authorizing such Bonds or the Bond Series Certificate relating to such Bond; provided, however, that such variable interest rate may be subject to a Maximum Interest Rate and a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Series Resolution or a Bond Series Certificate; provided, further, that such Series Resolution or Bond Series Certificate will also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate will remain in effect or (y) the time or times at which any change in such variable interest rate will become effective or the manner of determining such time or times.

Variable Interest Rate Bond means any Bond which bears a Variable Interest Rate; provided, however, that a Bond the interest rate on which has been fixed for the remainder of the term thereof will no longer be a Variable Interest Rate Bond.

**FINANCIAL STATEMENTS OF OHM BOCES
FOR THE YEAR ENDED JUNE 30, 2015**

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**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Cooperative Educational Services
Sole Supervisory District of
Oneida, Herkimer and Madison Counties
New Hartford, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Cooperative Educational Services Sole Supervisory District of Oneida, Herkimer and Madison Counties (BOCES), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors consider 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Cooperative Educational Services Sole Supervisory District of Oneida, Herkimer and Madison Counties, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2015, the BOCES adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and funding progress – other post-employment benefits plan on pages 3 through 10 and pages 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES' basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information on pages 48 through 50, as described in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES' internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
September 30, 2015

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

The following is a discussion and analysis of the Oneida, Herkimer and Madison Counties BOCES' financial performance for the fiscal year ended June 30, 2015. This section is a summary of the BOCES' financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. This section is only an introduction and should be read in conjunction with the BOCES' basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net position decreased by \$4,672,139 predominantly because of the GASB 45 accrual.
- Revenues increased by \$2,905,141 primarily as the result of increased participation in BOCES' programs and increases to charges for services.
- The BOCES continued to offer all programs without reducing services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the BOCES:

- The first two statements are *BOCES-wide financial statements* that provide both *short-term* and *long-term* information about the BOCES' *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the BOCES, reporting the BOCES' operations in *more detail* than the BOCES-wide statements.
- The *governmental funds statements* tell how basic services such as career and technical education, general instruction, educational support services and special education were financed in the *short-term* as well as what remains for future spending.
- The *fiduciary funds statements* provide information about the financial relationships in which the BOCES acts solely as a *trustee* or *agent* for the benefit of others, including component school districts.

The financial statements also include notes that provide additional information about these financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the BOCES' budgets for the 2015 and 2014 fiscal years.

Table 1 summarizes the major features of the BOCES’ financial statements, including the portion of the BOCES’ activities and the types of information that these statements contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Table 1: Major Features of the BOCES-Wide and Fund Financial Statements

	Fund Financial Statements		
	BOCES-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary funds)	The daily operating activities of the BOCES such as instruction and special education	Instances in which the BOCES administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

BOCES-Wide Statements

The BOCES-wide statements report information about the BOCES as an entire entity as opposed to reporting at the fund level as discussed in the next section using accounting methods similar to those used by private-sector companies. There are two BOCES-wide statements – Statement of Net Position and Statement of Activities.

The Statement of Net Position includes all of the BOCES’ assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received and paid.

The Statement of Net Position reports the BOCES’ net position and how they have changed. Net position, the difference between the assets and liabilities, are one way to measure the financial health or position of the BOCES. Over time, increases and decreases in net position are an indicator of whether the BOCES’ financial position is improving or deteriorating, respectively. While changes in net position is an indicator, other nonfinancial factors should be considered such as changes in the level of District participation in BOCES’ services and the condition of buildings and other facilities.

The Statement of Activities is the BOCES-wide financial statement used to report changes in net position in the Statement of Net Position. The statement is designed to present expenses before revenues. This order is designed to emphasize that governments do not seek to maximize revenue which, in the private sector, filter to the bottom line. However, a government first determines which services are needed and by whom, and then the government raises the required resources. Fees for services and federal and State grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about each of the BOCES' funds. Funds are accounting devices authorized by New York State law that the BOCES use to keep track of specific sources of funding and spending on particular programs.

Some funds are required by State law. The BOCES establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The BOCES has two kinds of funds:

- **Governmental funds:** Most of the BOCES' activities are accounted for within the governmental funds, which generally focus on (1) how current assets that can readily be converted to cash flow in and out and (2) the balances left at year end. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the fiscal health of each of the BOCES' programs for that year only. Because this information does not encompass the additional long-term focus of the BOCES-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. In summary, the governmental fund statements focus primarily on the sources, uses and balance of current financial resources and often have a budgetary orientation. Included are the general fund, special revenue funds, debt service funds, capital project funds and permanent funds. Required statements are the balance sheet and the statement of revenues, expenditures and changes in fund balances.
- **Fiduciary funds:** The BOCES, in some instances, acts as the trustee or fiduciary for assets that belong to others, such as scholarship funds and extraclassroom activity funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The BOCES excludes these activities from the BOCES-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

FINANCIAL ANALYSIS OF THE BOCES AS AN ENTITY

The BOCES' net position was less on June 30, 2015, than it was the year before, decreasing 17.1% to \$32,071,830, as detailed in Table 2.

Table 2: Condensed Statement of Net Position – Governmental Activities

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change (Incr.;-Decr.)
ASSETS				
Current and other assets	\$ 18,631,306	\$ 25,176,295	\$ (6,544,989)	-26.0%
Capital assets	53,001,620	42,807,355	10,194,265	23.8%
Total Assets	71,632,926	67,983,650	3,649,276	5.4%
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	522,311	0	522,311	100.0%
Total Deferred Outflows of Resources	522,311	0	522,311	100.0%
LIABILITIES				
Current liabilities	15,192,800	19,420,558	(4,227,758)	-21.8%
Long-term liabilities	83,728,188	75,962,783	7,765,405	10.2%
Total Liabilities	98,920,988	95,383,341	3,537,647	3.7%
DEFERRED INFLOWS OF RESOURCES				
Pensions	5,306,079	0	5,306,079	100.0%
Total Deferred Inflows of Resources	5,306,079	0	5,306,079	100.0%
NET POSITION				
Net investment in capital assets	12,372,543	12,237,355	135,188	1.1%
Restricted	4,120,299	4,252,297	(131,998)	-3.1%
Unrestricted	(48,564,672)	(43,889,343)	(4,675,329)	-10.7%
TOTAL NET POSITION (DEFICIT)	\$(32,071,830)	\$(27,399,691)	\$(4,672,139)	-17.1%

The changes detailed in Table 2 include increases in total assets of \$3,649,276 and increases in total liabilities of \$3,537,647.

Net investment in capital assets increased by \$135,188

- (a) Restricted net position are balances with constraints on the use by external sources (creditor, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation.
- (b) Unrestricted net position are balances that do not meet any of the restrictions contained in footnote (a).

Changes in Net Position

The BOCES’ total fiscal year 2015 revenues totaled \$68,886,832 (see Table 4). Charges for services accounted for most of the BOCES’ revenue by contributing more than 94% (see Chart 1). The remainder came from operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$72,814,336 for the fiscal year 2015. These expenses are predominantly related to instruction, itinerant services and instructional support (see Table 3A). The BOCES' administrative activities accounted for approximately 9% of the total costs.

Net position resulting from operations decreased by \$3,927,504.

The continuation of the BOCES' good financial condition can be credited to:

- Continued leadership of the BOCES' Board;
- Approval of the BOCES' proposed annual budget;
- Continued growth in district participation in services; and
- Continued State and federal aid.

Table 3A presents the expenditures of the seven major BOCES' activities, administration and capital expenses, career/technical instruction, instruction for students with disabilities, itinerant services, general instruction, instructional support and other services. Table 3B also shows each activity's surplus. Additionally, food services (school lunch) and depreciation are included in Table 3A.

Table 3A: Gross Cost of Governmental Activities – Expenditures

	Expenditure 2015	Expenditure 2014	Percentage Change (Incr.;-Decr.)
Instruction – Disabled	\$ 15,573,395	\$ 16,264,811	-4.3%
Instruction – Career	6,379,121	6,035,962	5.7%
Instructional Support	16,158,248	13,507,386	19.6%
General Instruction	8,365,201	8,086,655	3.4%
Other Services	10,399,562	11,216,487	-7.3%
Itinerant	4,364,585	4,881,859	-10.6%
Administration	7,347,347	6,436,619	14.1%
Food Services - Lunch	4,226,877	4,053,196	4.3%
Total Expenses	\$ 72,814,336	\$ 70,482,975	3.3%

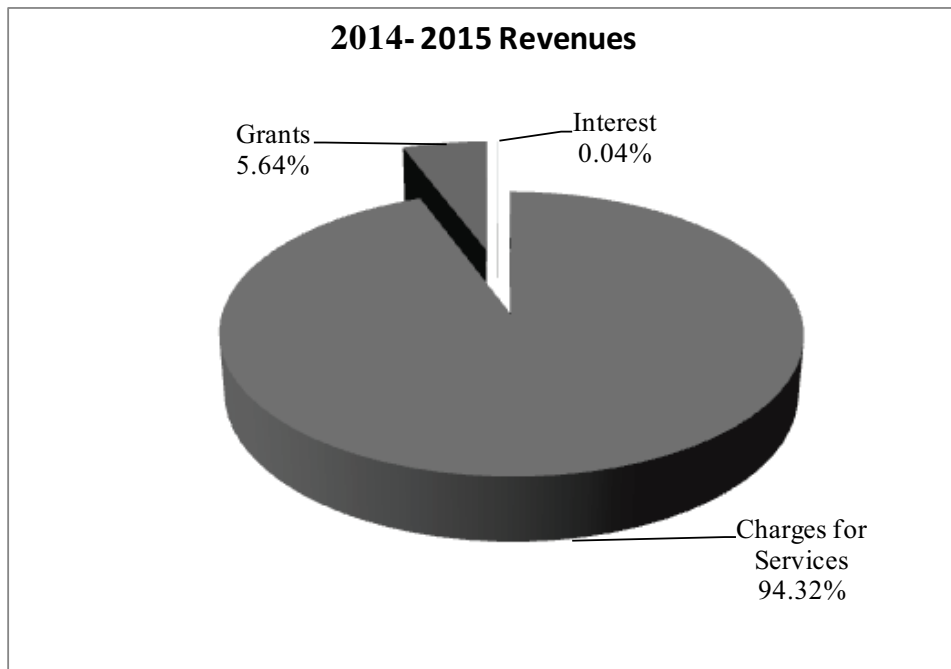
Table 3B: Net (Cost) Surplus of Governmental Activities

Category	Net Surplus (Net Expenditures) 2015	Net Surplus (Net Expenditures) 2014	Percentage Change (Incr.;-Decr.)
Administration	\$ (204,673)	\$ (350,057)	-41.5%
Occupational Instruction	(349,578)	(222,872)	56.9%
Instruction for Handicapped	(1,169,085)	(1,532,371)	-23.7%
Itinerant Services	(207,775)	(265,502)	-21.7%
General Instruction	(461,017)	(474,839)	-2.9%
Instructional Support	(1,172,282)	(1,078,839)	8.7%
Other Services	(502,319)	(616,637)	-18.5%
Expenditures - School Lunch	111,781	550	20223.8%
Total Expenditures	\$ (3,954,948)	\$ (4,540,567)	-12.9%

Table 4: Changes in Net Position from Operating Results – Governmental Activities Only

	Fiscal Year 2015	Fiscal Year 2014	Percentage Change (Incr.;-Decr.)
<u>REVENUES</u>			
Program Revenues			
Charges for services to component schools, other BOCES and miscellaneous local sources	\$ 64,973,185	\$ 62,782,770	3.5%
Grants	3,886,203	3,159,638	23.0%
Other Revenues	27,444	39,283	-30.1%
Total Revenues	68,886,832	65,981,691	4.4%
<u>EXPENSES</u>			
Administration	7,347,347	6,436,619	14.1%
Occupational instruction	6,379,121	6,035,962	5.7%
Instruction for handicapped	15,573,395	16,264,811	-4.3%
Itinerant services	4,364,585	4,881,859	-10.6%
General instruction	8,365,201	8,086,655	3.4%
Instructional support	16,158,248	13,507,386	19.6%
Other services	10,399,562	11,216,487	-7.3%
Expenditures - School Lunch	4,226,877	4,053,196	4.3%
Total Expenses	72,814,336	70,482,975	3.3%
CHANGE IN NET POSITION (DECREASE)	\$ (3,927,504)	\$ (4,501,284)	12.7%

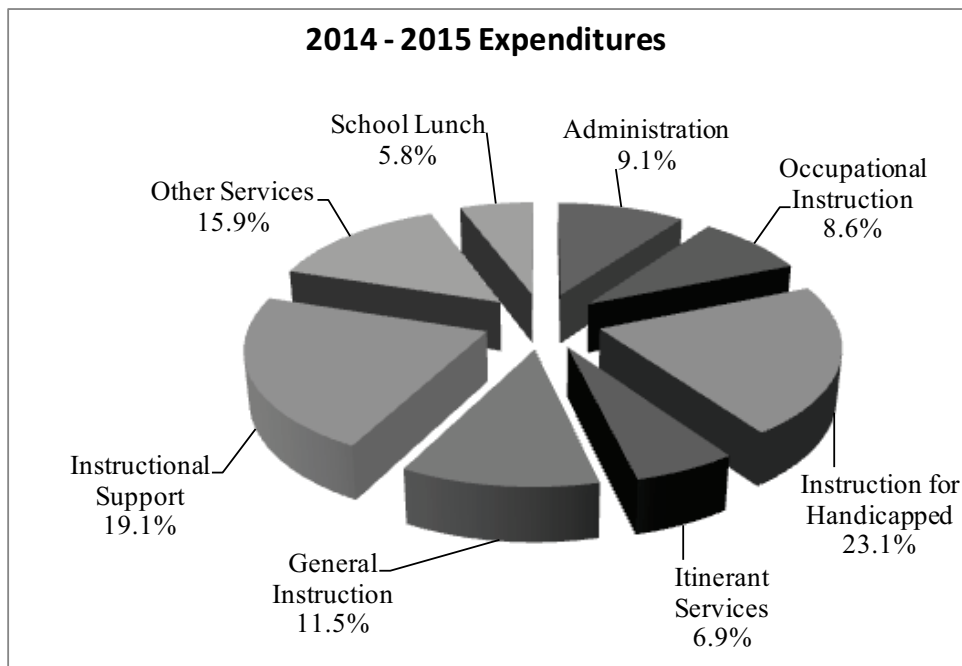
Chart 1: Sources of Revenues for Fiscal Year 2015



Grants and other revenues include federal and State project award funds.

Charges for services include revenue from component schools, other BOCES and miscellaneous local sources.

Chart 2: Expenditures for Fiscal Year 2015



FINANCIAL ANALYSIS OF THE BOCES' FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the BOCES-wide financial statements. The governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds do not include long-term debt liabilities for the compensated absences and capital assets purchased by the funds. Governmental funds include the current payments for capital assets and the current payments for compensated absences.

Fixed Assets (net of depreciation)

For the Years Ended June 30, 2015 and 2014

<u>Category</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>	<u>Percentage Change (Incr.;-Decr.)</u>
Land	\$ 143,978	\$ 143,978	0.0%
Buildings	36,715,625	37,645,590	-2.5%
Furniture and equipment	4,547,940	5,017,787	-9.4%
TOTAL FIXED ASSETS	\$ 41,407,543	\$ 42,807,355	-3.3%

Current year depreciation amounted to \$2,075,818.

Long-Term Debt

At year end, the BOCES had \$84,461,741 in long-term debt.

Outstanding Long-Term Debt

<u>Category</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>	<u>Percentage Change (Incr.: - Decr.)</u>
Bonds and notes payable	\$ 29,035,000	\$ 30,570,000	-5.0%
Post-employment benefits	55,091,239	46,589,416	18.2%
Compensated absences	335,502	338,367	-0.8%
TOTALS	\$ 84,461,741	\$ 77,497,783	9.0%

FACTORS BEARING ON THE BOCES' FUTURE

- Continuing to work on their five year building plan.
- With pressure on State and national budgets, BOCES must be vigilant at monitoring a potentially changing revenue stream.

CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the BOCES and to demonstrate their accountability with the money they receive. If you have any questions about this report or need additional financial information please contact:

Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services
 Attn: Assistant Superintendent for Administrative Services
 P. O. Box 70
 New Hartford, New York 13413-0070
 (315) 793-8566

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2015

CURRENT ASSETS	
Cash and cash equivalents	\$ 4,989,135
State and federal aid receivable	11,975,092
Due from other governments	1,103,895
Due from fiduciary funds	4,353
Other receivables	418,779
Food inventory	140,052
Total Current Assets	<u>18,631,306</u>
NONCURRENT ASSETS	
Net pension asset - proportionate share	11,594,077
Capital assets	58,456,589
Less: accumulated depreciation	17,049,046
Total Noncurrent Assets	<u>53,001,620</u>
Total Assets	<u>71,632,926</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	522,311
Total Deferred Outflows of Resources	<u>522,311</u>
CURRENT LIABILITIES	
Accounts payable/accrued liabilities	2,913,186
Due to school districts	7,348,388
Due to other governments	970
Unearned revenues	124,117
Due to retirement systems	3,191,139
Bonds and notes payable	1,615,000
Total Current Liabilities	<u>15,192,800</u>
LONG-TERM LIABILITIES	
Bonds and notes payable - less current portion	27,420,000
Other post-employment benefits	55,091,239
Net pension liability - proportionate share	881,447
Compensated absences	335,502
Total Long-Term Liabilities	<u>83,728,188</u>
Total Liabilities	<u>98,920,988</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	5,306,079
Total Deferred Inflows of Resources	<u>5,306,079</u>
NET POSITION	
Net investment in capital assets	12,372,543
Restricted	
Insurances	527,836
Retirement reserve	927,776
Reserve for debt service	1,105,066
Employee benefit accrued liability reserve	1,559,621
Unrestricted	(48,564,672)
TOTAL NET POSITION (DEFICIT)	<u>\$ (32,071,830)</u>

See notes to basic financial statements.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenue		Net (Expenses) Revenues Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS AND PROGRAMS:				
Administration	\$ 7,347,347	\$ 7,142,674	\$ 0	\$ (204,673)
Occupational instruction	6,379,121	5,972,288	57,255	(349,578)
Instruction for the handicapped	15,573,395	13,870,797	533,513	(1,169,085)
Itinerant services	4,364,585	4,156,810	0	(207,775)
General instruction	8,365,201	7,825,859	78,325	(461,017)
Instructional support	16,158,248	14,483,198	502,768	(1,172,282)
Other services	10,399,562	9,897,243	0	(502,319)
Expenditures - school lunch	4,226,877	1,624,316	2,714,342	111,781
Total Functions and Programs	\$ 72,814,336	\$ 64,973,185	\$ 3,886,203	(3,954,948)
GENERAL REVENUES:				
Interest and earnings				27,444
Total General Revenues				27,444
CHANGE IN NET POSITION (DECREASE)				(3,927,504)
TRANSFER OF JUNE 30, 2015 SURPLUS TO SCHOOL DISTRICTS - PAYABLE				(3,713,107)
TOTAL NET POSITION (DEFICIT) – BEGINNING OF YEAR, AS RESTATED				(24,431,219)
TOTAL NET POSITION (DEFICIT) – END OF YEAR				\$ (32,071,830)

See notes to basic financial statements.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2015

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
ASSETS						
Cash and cash equivalents	\$ 4,580,151	\$ 568	\$ 16,551	\$ 391,865	\$ 0	\$ 4,989,135
Other receivables	276,227	120,154	22,398	0	0	418,779
State and federal aid receivable	11,341,067	431,948	202,077	0	0	11,975,092
Due from other funds	510,699	0	190,907	288,976	1,171	991,753
Due from other governments	0	0	0	0	1,103,895	1,103,895
Food inventory	0	0	140,052	0	0	140,052
TOTAL ASSETS	\$ 16,708,144	\$ 552,670	\$ 571,985	\$ 680,841	\$ 1,105,066	\$ 19,618,706
LIABILITIES						
Accounts payable	\$ 2,527,200	\$ 0	\$ 240,734	\$ 0	\$ 0	\$ 2,767,934
Accrued liabilities	80,934	19,626	44,692	0	0	145,252
State aid and refunds due school districts	7,348,388	0	0	0	0	7,348,388
Due to other funds	485,055	468,927	32,247	1,171	0	987,400
Unearned revenues	60,000	64,117	0	0	0	124,117
Due to other governments	195	0	775	0	0	970
Due to Teachers' Retirement System	2,881,880	0	0	0	0	2,881,880
Due to Employees' Retirement System	309,259	0	0	0	0	309,259
Total liabilities	13,692,911	552,670	318,448	1,171	0	14,565,200
FUND BALANCE						
Nonspendable						
Reserve for inventory	0	0	140,052	0	0	140,052
Restricted						
Insurances	527,836	0	0	0	0	527,836
Retirement reserve	927,776	0	0	0	0	927,776
Reserve for debt service	0	0	0	0	1,105,066	1,105,066
Employee benefit accrued liability reserve	1,559,621	0	0	0	0	1,559,621
Assigned	0	0	113,485	679,670	0	793,155
Total fund balance	3,015,233	0	253,537	679,670	1,105,066	5,053,506
TOTAL LIABILITIES AND FUND BALANCE	\$ 16,708,144	\$ 552,670	\$ 571,985	\$ 680,841	\$ 1,105,066	\$ 19,618,706
RECONCILIATION OF FUND BALANCE TO NET POSITION:						
Amounts reported for activities in the statement of net position are different because:						
Total fund balance at June 30, 2015 (as reported above)						\$ 5,053,506
Amounts reported for governmental activities in the statement of net position are difference because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds						41,407,543
Proportionate share of long-term asset and liability associated with participation in state retirement system are not current financial resources or obligations and are not reported in the funds.						5,928,862
Long-term liabilities, including capitalized lease payables, other post-employment benefits and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds						(84,461,741)
TOTAL NET POSITION (DEFICIT) – STATEMENT OF ACTIVITIES						\$ (32,071,830)

See notes to basic financial statements.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Fund Types					Totals
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
REVENUES						
Charges for services	\$ 89,983	\$ 0	\$ 1,624,316	\$ 0	\$ 0	\$ 1,714,299
Charges to components	55,999,386	0	0	0	0	55,999,386
Charges to other BOCES	3,546,254	0	0	0	0	3,546,254
Interest and earnings	27,386	0	0	58	0	27,444
Sale of property and compensation for loss	59,075	0	0	0	0	59,075
Miscellaneous	2,778,202	866,339	0	0	0	3,644,541
Interfund revenues	9,630	0	0	0	0	9,630
State sources	0	344,495	99,791	0	0	444,286
Federal sources	0	827,366	2,614,551	0	0	3,441,917
Total revenues	62,509,916	2,038,200	4,338,658	58	0	68,886,832
EXPENDITURES						
Administration	6,755,123	0	0	0	0	6,755,123
Occupational instruction	5,765,360	99,582	0	0	0	5,864,942
Instruction for the handicapped	13,390,201	927,931	0	0	0	14,318,132
Itinerant services	4,012,785	0	0	0	0	4,012,785
General instruction	7,554,708	136,230	0	0	0	7,690,938
Instructional support	13,981,384	874,457	0	0	0	14,855,841
Other services	9,554,323	0	0	0	7,000	9,561,323
Cost of sales	0	0	4,226,877	0	0	4,226,877
Total expenditures	61,013,884	2,038,200	4,226,877	0	7,000	67,285,961
EXCESS OF REVENUES OVER EXPENDITURES	1,496,032	0	111,781	58	(7,000)	1,600,871
OTHER FINANCING SOURCES (USES)						
Interfund transfer	(140,071)	0	0	140,071	0	0
Insurances	160,794	0	0	0	0	160,794
Retirement reserve	(59,459)	0	0	0	0	(59,459)
Employee benefit accrued liability reserve	(226,330)	0	0	0	0	(226,330)
Refund of surplus	(3,713,107)	0	0	0	0	(3,713,107)
Total other financing sources (uses)	(3,978,173)	0	0	140,071	0	(3,838,102)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND USES	(2,482,141)	0	111,781	140,129	(7,000)	(2,237,231)
FUND BALANCE – BEGINNING OF YEAR	5,497,374	0	141,756	539,541	1,112,066	7,290,737
FUND BALANCE – END OF YEAR	\$ 3,015,233	\$ 0	\$ 253,537	\$ 679,670	\$ 1,105,066	\$ 5,053,506

See notes to basic financial statements.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2015

REVENUES - GOVERNMENTAL FUNDS		\$ 68,886,832
EXPENDITURES - GOVERNMENTAL FUNDS	\$ 67,285,961	
Add:		
Depreciation	2,075,818	
Increase in other post-employment benefits liability	8,501,823	
Decrease in reserves	124,995	
	<u>10,702,636</u>	
Deduct:		
Decrease in bonds and notes payable	1,535,000	
Pensions	2,960,390	
Increase in capital assets	676,006	
Decrease in compensated absences	2,865	
	<u>5,174,261</u>	
EXPENDITURES - STATEMENT OF ACTIVITIES		<u>72,814,336</u>
CHANGE IN NET POSITION (DECREASE)		<u><u>\$ (3,927,504)</u></u>

See notes to basic financial statements.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Restricted cash	\$ 77,953	\$ 31,902
Due from other funds	0	5,172
Accounts receivable	0	0
TOTAL ASSETS	\$ 77,953	\$ 37,074
LIABILITIES		
Extraclassroom activity funds	\$ 0	\$ 6,420
Due to other funds	9,525	0
Other liabilities	0	30,654
Total liabilities	9,525	37,074
NET POSITION		
Held in trust for:		
Endowment scholarships	68,428	
TOTAL LIABILITIES AND NET POSITION	\$ 77,953	

See notes to basic financial statements.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Private Purpose Trust Funds
ADDITIONS:	
Private donations	\$ 11,465
Interest and earnings	11
Total additions	11,476
DEDUCTIONS:	
Scholarships expenses	9,750
CHANGE IN NET POSITION	1,726
NET POSITION – BEGINNING OF YEAR	66,702
NET POSITION – END OF YEAR	\$ 68,428

See notes to basic financial statements.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services (BOCES) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the BOCES are described below:

A) Reporting Entity

The BOCES is governed by the education law and other general laws of the State of New York. The governing body is the Board of Cooperative Educational Services. The President of the Board serves as the chief fiscal officer and the District Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to BOCES programs and operations. Board members have authority to make decisions, power to appoint management and primary accountability for all fiscal matters.

The reporting entity of the BOCES is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Boards of Cooperative Educational Services (BOCES) were established by New York State legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, legislation was passed allowing BOCES to provide districts in a geographic area that share planning, services and programs which provide educational and support activities more economically, efficiently and equitably than could be provided locally. BOCES provides instructional and support programs and services to the following 12 school districts in New York's Oneida, Herkimer and Madison Counties:

Brookfield Central School District
Clinton Central School District
Holland Patent Central School District
New Hartford Central School District
New York Mills Central School District
Oriskany Central School District
Remsen Central School District
Sauquoit Valley Central School District
Utica City School District
Waterville Central School District
Westmoreland Central School District
Whitesboro Central School District

The BOCES' programs and services include special education, vocational education, academic and alternative programs, summer school, staff development, computer services (management and instructional), educational communication and cooperative purchasing.

The accompanying financial statements present the activities of the BOCES. The BOCES is not a component unit of another reporting entity. The decision to include a potential component unit in the BOCES' reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief description of an entity included in the BOCES' reporting entity.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A) Reporting Entity – (Continued)

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the BOCES represent funds of the students of the BOCES District. The Board of Cooperative Educational Services exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the BOCES District with respect to financial transactions and designation of student management. Audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found bound with these basic financial statements. The BOCES accounts for assets held as an agent for various student organizations in an agency fund.

B) Joint Venture

There are 12 participating school districts in the BOCES. The BOCES is a joint venture in which the participating districts have an ongoing financial responsibility, no equity interest and no single participant controls the financial or operating policies of the BOCES. The BOCES was formed under State law for the purpose of providing shared educational programs and instruction in subjects approved by the State Education Commissioner. The BOCES governing board is elected based on the vote of members of the participating districts' governing boards. The BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2015, the BOCES billed its component districts for administrative, capital and program costs.

C) Basis of Presentation

1. BOCES-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the BOCES' governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through fees for service, State aid, intergovernmental revenues and other exchange and nonexchange transactions. Operating grants include operating specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the BOCES' governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods and services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, fees for service, are presented as general revenues.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C) Basis of Presentation – (Continued)

2. Fund Statements

The fund statements provide information about the BOCES' funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The BOCES reports the following major governmental funds:

General Fund: This is the BOCES' primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction or major repair of capital facilities.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The BOCES reports on the following fiduciary funds:

Fiduciary Fund

Fiduciary activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the BOCES-wide financial statements, because their resources do not belong to the BOCES and are not available to be used. There are two classes of fiduciary funds:

i) Private Purpose Trust Funds – These funds are used to account for trust arrangements in which principal and income benefit annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the BOCES or representatives of the donors may serve on committees to determine who benefits.

ii) Agency Funds – These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

D) Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The BOCES-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the BOCES gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

E) Cash (and Cash Equivalents)/Investments

The BOCES' cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the BOCES' investment policies. Resources must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

F) Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

G) Inventories and Prepaid Items

Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventorial items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amounts.

Prepaid items represent payments made by the BOCES for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the BOCES-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for inventories has been recognized to signify that a portion of fund balance is not available for other subsequent expenditure.

H) Interfund Transactions

The operations of the BOCES include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The BOCES typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the BOCES-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the BOCES' practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

I) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

J) Capital Assets

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on direct costing, standard costing or normal costing methods, were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the BOCES-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 5000	Straight-line	45
Site Improvements	5000	Straight-line	20
Vehicles	5000	Straight-line	6
Computer Equipment	5000	Straight-line	5
Equipment	5000	Straight-line	7
Kitchen, Custodial and Maintenance Equipment	5000	Straight-line	10
Furniture	5000	Straight-line	20

K) Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

BOCES employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the BOCES-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the funds statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

L) Other Benefits

BOCES employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the BOCES provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially, all of the BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the BOCES and the retired employee. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

M) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BOCES has two items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. Second is the BOCES' contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES has one item that qualifies for reporting in this category. The item is related to pensions reported in the BOCES' proportion of the collective net pension liability (ERS System) and net pension asset (TRS System) and difference during the measurement periods between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M) Deferred Outflows and Inflows of Resources – (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the BOCES reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2015, for ERS and June 30, 2014 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The BOCES' proportion of the net pension asset (liability) was based on a projection of the BOCES' long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the BOCES.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	March 31, 2015	June 30, 2014
Net pension asset (liability)	\$ (881,447)	\$ 11,594,077
BOCES' portion of the Plan's total net pension asset (liability)	0.0260919%	0.104082%

For the year ended June 30, 2015, the BOCES' recognized pension expense of \$1,376,545 for ERS and \$2,832,143 for TRS. At June 30, 2015, the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

	<u>Deferred Outflows (Inflows) of Resources</u>	<u>Deferred Inflows (Outflows) of Resources</u>
	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 28,216	\$ 169,542
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	153,096	7,786,683
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	31,740	985
BOCES' contributions subsequent to the measurement date	309,259	(2,651,131)
Total	<u>\$ 522,311</u>	<u>\$ 5,306,079</u>

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M) Deferred Outflows and Inflows of Resources – (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (Continued)

BOCES contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2016	\$ 53,263	\$ (1,966,500)
2017	53,263	(1,966,500)
2018	53,263	(1,966,500)
2019	53,263	(19,829)
2020	0	(71,383)
Thereafter	0	0

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2015	June 30, 2014
Actuarial valuation date	April 1, 2014	June 30, 2013
Interest rate	7.5%	8%
Salary scale	4.9%	4.01% - 10.91%
Decrement tables	April 1, 2005 - March 31, 2010	July 1, 2005 – June 30, 2010
	System's experience	System's experience
Inflation rate	2.7%	3.0%

For ERS, annuitant mortality rates are based on April 1, 2005 through March 31, 2011, System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 through June 30, 2010, System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2011, valuation are based on the results of an actuarial experience study for the period April 1, 2005 through March 31, 2010. For TRS, the actuarial assumptions used in the June 30, 2013, valuation are based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M) Deferred Outflows and Inflows of Resources – (Continued)

Actuarial Assumptions – (Continued)

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2015	June 30, 2014
<u>Asset type</u>		
Domestic equity	7.30%	7.30%
International equity	8.55	8.50
Real estate	8.25	5.00
Domestic fixed income securities	0	1.50
Global fixed income securities	0	1.40
Mortgages	0	3.40
Short-term	0	0.80
Private equity/alternative investments	11.00	11.00
Absolute return strategies	6.75	0
Opportunistic portfolio	8.60	0
Bonds and mortgages	4.00	0
Cash	2.25	0
Inflation index bonds	4.00	0

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for ERS and 8% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the BOCES' proportionate share of the net pension asset (liability) calculated using the discount rate of 7.5% for ERS and 8% for TRS, as well as what the BOCES' proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5% for ERS and 7% for TRS) or 1 percentage point higher (8.5% for ERS and 9% for TRS) than the current rate:

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

M) Deferred Outflows and Inflows of Resources – (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption – (Continued)

<u>ERS</u>	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (5,875,224)	\$ (881,447)	\$ 3,334,539
<u>TRS</u>	<u>1% Decrease (7.0%)</u>	<u>Current Assumption (8.0%)</u>	<u>1% Increase (9.0%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ 250,101	\$ 11,594,077	\$ 21,260,722

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset (liability) of the employers as of the respective valuation dates were as follows:

	(Dollars in thousands)		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Valuation date	March 31, 2015	June 30, 2014	
Employers' total pension asset (liability)	\$ (164,591,504)	\$ (97,015,707)	\$ (261,607,211)
Plan net position asset (liability)	161,213,259	108,155,083	269,368,342
Employers' net pension asset (liability)	(3,378,245)	11,139,377	14,517,622
Ratio of plan net position to the employers' total pension asset (liability)	97.9%	111.48%	102.97%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2015, represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015, based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015, amounted to \$309,259.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015, are paid to the System in September, October and November, 2015, through a state aid intercept. Accrued retirement contributions as of June 30, 2015, represent employee and employer contributions for the fiscal year ended June 30, 2015, based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2015, amount to \$2,881,880.

Additional pension information can be found in Note 9.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

N) Unearned Revenue

The BOCES reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the BOCES before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the BOCES has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

O) Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the BOCES' policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

P) Short-Term Debt

The BOCES may issue Revenue Anticipation Notes (RANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

Q) Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the BOCES-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other post-employment benefits payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the BOCES' future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

R) Equity Classifications

BOCES-Wide Statements

In the BOCES-wide statements, there are three classes of net position:

i) Net Investment in Capital Assets

Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

R) Equity Classifications – (Continued)

BOCES-Wide Statements – (Continued)

ii) Restricted Net Position

Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

iii) Unrestricted Net Position

Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the BOCES.

Fund Statements

In the fund basis statements there are five classifications of fund balance:

1. Nonspendable

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Lunch Fund of \$140,052.

2. Restricted

Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The BOCES has established the following restricted fund balances:

Currently Utilized by the BOCES:

Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

R) Equity Classifications – (Continued)

Fund Statements – (Continued)

2. Restricted – (Continued)

Insurance

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the General Fund.

Unemployment Insurance

According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the BOCES elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund.

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service, must be established for the purpose of retiring the outstanding obligations upon the sale of BOCES property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of BOCES property or capital improvement. The reserve is accounted for in the Debt Service Fund.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

R) Equity Classifications – (Continued)

Fund Statements – (Continued)

3. Committed

Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the BOCES highest level of decision making authority, i.e., the Board of Education. The BOCES has no committed fund balances as of June 30, 2015.

4. Assigned

Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements. The Board of Cooperative Educational Services is not required to impose or remove the constraint. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. The BOCES' had no encumbrances as of June 30, 2015.

5. Unassigned

Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES.

Order of Use of Fund Balance

The BOCES' policy is to annually determine the appropriate use of fund balance upon recommendation of the Superintendent and Board of Cooperative Educational Services.

S) Interfund Transfers

The operations of the BOCES give rise to certain transactions between funds, including transfers of expenditures and transfers of revenues to provide services and construct assets.

T) Budgetary Procedures and Budgetary Accounting

Budget Policies

The budget policies are as follows:

- A. Section 1950 of the Education Law requires adoption of a final budget by no later than May 15 of the ensuing year.
- B. BOCES' administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of the BOCES' Board for the General Fund.
- C. Appropriations for educational services are adopted at the program line item level.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

T) Budgetary Procedures and Budgetary Accounting – (Continued)

Budget Policies – (Continued)

- D. A tentative administrative budget is provided to the component districts for adoption by resolution. Approval of the tentative administrative budget requires the approval of a majority of the component school boards actually voting. During the current year, the administrative budget was approved by a majority of its voting component school boards.
- E. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.
- F. The budget was increased by \$9,191,824 to provide for changes in program services by the component districts. The increases were approved monthly by the Board throughout the year.

Budget Basis of Accounting

Budgets are adopted annually using the current financial resources measurement focus and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The BOCES was in compliance with all legal and contractual provisions for the fiscal year.

U) New Accounting Standards

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2015, the BOCES implemented the following new standards issued by GASB:

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, effective for the year ending June 30, 2015.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending June 30, 2015.

GASB has issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending June 30, 2015.

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, effective for the year ending June 30, 2015.

V) Future Changes in Accounting Standards

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

V) Future Changes in Accounting Standards – (Continued)

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending June 30, 2018. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

The BOCES will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND BOCES-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the fund statements and the BOCES-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the BOCES-wide statements compared with the current financial resources focus of the governmental funds.

A) Total Fund Balance of Governmental Funds vs. Net Position of Governmental Activities

Total fund balance of the BOCES' governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheets.

B) Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

i) Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND
BOCES-WIDE STATEMENTS – (CONTINUED)**

**B) Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities –
(Continued)**

iii) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension Differences

Pension differences occur as a result of changes in the BOCES' proportion of the collective net pension asset (liability) and differences between the BOCES' contributions and its proportionate share of the total contributions to the pension systems.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2015, the BOCES implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the statements requires the BOCES to report as an asset and/or liability its portion of the collective net pensions asset and liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the statements also requires the BOCES to report a deferred outflow and/or inflow for the effect of the net change in the BOCES' proportion of the collective net pension asset and/or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow, is the BOCES contributions to the pension systems subsequent to the measurement date. See Note 15 for the financial statement impact of implementation of the statements.

**NOTE 4 – CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT,
INTEREST RATE AND FOREIGN CURRENCY RISKS**

Custodial credit risk is the risk that in the event of a bank failure, the BOCES' deposits may not be returned to it. While the BOCES does not have a specific policy for custodial credit risk, New York State statutes govern the BOCES' investment policies, as discussed previously in these Notes.

The BOCES' aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the BOCES' name		10,863,264

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$4,120,299 within the governmental funds and \$109,855 in fiduciary funds.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015, were as follows:

	Beginning Balance	Additions	Retirement/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 143,978	\$ 0	\$ 0	\$ 143,978
Total nondepreciable historical cost	143,978	0	0	143,978
Capital assets that are depreciated:				
Buildings	46,748,830	6,750	0	46,755,580
Furniture and equipment	10,997,546	669,256	109,771	11,557,031
Total depreciable historical cost	57,746,376	676,006	109,771	58,312,611
Less accumulated depreciation:				
Buildings	9,103,240	936,715	0	10,039,955
Furniture and equipment	5,979,759	1,139,103	109,771	7,009,091
Total accumulated depreciation	15,082,999	2,075,818	109,771	17,049,046
Total depreciable historical cost - net	42,663,377	(1,399,812)	0	41,263,565
GRAND TOTALS	\$ 42,807,355	\$(1,399,812)	\$ 0	\$ 41,407,543
Depreciation was allocated to programs as follows:				
Administration		\$ 222,369		
Occupational instruction		193,066		
Instruction for the handicapped		471,333		
Itinerant services		132,095		
General instruction		253,175		
Instructional support		489,034		
Other services		314,746		
TOTAL		\$ 2,075,818		

NOTE 6 – SHORT-TERM DEBT

Transactions in short-term debt for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance
RAN dated 9/25/2014 at .75%	\$ 0	\$ 13,500,000	\$ 13,500,000	\$ 0
	\$ 0	\$ 13,500,000	\$ 13,500,000	\$ 0

Interest paid on short-term debt for the year was \$75,938.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 – LONG-TERM DEBT

Interest paid on long-term debt for the year was \$1,594,088.

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Government activities:					
General obligation debt:					
Bonds and notes payable	\$ 30,570,000	\$ 0	\$ 1,535,000	\$ 29,035,000	\$ 1,615,000
Total general obligation debt	30,570,000	0	1,535,000	29,035,000	1,615,000
Other liabilities:					
Compensated absences	338,367	0	2,865	335,502	0
Other post-employment retirement benefits	46,589,416	8,501,823	0	55,091,239	0
Total other liabilities	46,927,783	8,501,823	2,865	55,426,741	0
TOTAL LONG-TERM LIABILITIES	\$ 77,497,783	\$ 8,501,823	\$ 1,537,865	\$ 84,461,741	\$ 1,615,000

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

The current portion (amount due within one year) of other liabilities as of June 30, 2015, was not determinable.

The following is a summary of long-term indebtedness:

<u>Description of issue</u>	<u>Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>June 30, 2015</u>
Serial Bond	2008	2028	4.351 - 5.250%	\$ 29,035,000

The following is a summary of maturing debt service requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30:			
2016	\$ 1,615,000	\$ 1,562,713	\$ 3,177,713
2017	1,700,000	1,481,944	3,181,944
2018	1,785,000	1,394,925	3,179,925
2019	1,880,000	1,303,444	3,183,444
2020	1,980,000	1,207,238	3,187,238
Thereafter	20,075,000	5,602,668	25,677,668
Totals	\$ 29,035,000	\$ 12,552,932	\$ 41,587,932

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 8 – INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2015, were as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenues	Interfund Expenditure
General Fund	\$ 510,699	\$ 485,055	\$ 0	\$ 140,071
School Lunch Fund	190,907	32,247	0	0
Capital Fund	288,976	1,171	140,071	0
Debt Service Fund	1,171	0	0	0
Special Aid Fund	0	468,927	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities	991,753	987,400	140,071	140,071
Fiduciary Agency Fund	5,172	9,525	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
TOTALS	\$ 996,925	\$ 996,925	\$ 140,071	\$ 140,071

Interfund receivables and payables, other than between governmental activities, are eliminated on the Statement of Net Position.

The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

NOTE 9 – PENSION PLANS

General Information

BOCES participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing multiple-employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

BOCES participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

**ONEIDA, HERKIMER AND MADISON COUNTIES
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 – PENSION PLANS – (CONTINUED)

Plan Descriptions and Benefits Provided: - (Continued)

Employees’ Retirement System (ERS)

The BOCES participates in the New York State and Local Employees’ Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees’ Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 2, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the Systems’ fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers’ Retirement Board pursuant to Article 11 of the Education Law.

The BOCES is required to contribute at a rate determined actuarially by the Systems. The BOCES contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2015	\$ 2,832,143	\$ 1,376,545
2014	1,952,357	1,378,618
2013	1,838,370	1,117,566

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System’s fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the BOCES did not exercise.

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57 and 105.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

The BOCES provides post-employment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the BOCES' contractual agreements.

The BOCES recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2015, the BOCES recognized \$1,576,882 for its share of insurance premiums for currently enrolled retirees.

The BOCES has obtained an actuarial valuation report as of July 1, 2014, which indicates that the total liability for other post-employment benefits is \$55,091,239, which is reflected in the Statement of Net Position.

Plan Description

The BOCES provides medical and prescription drug insurance benefits for retirees, spouses and their covered dependents while contributing a portion of the expenses. Such post-employment benefits are an included value in the exchange of salaries and benefits for employee services rendered. An employee's total compensation package includes not only the salaries and benefits received during active service, but all compensation and benefits received for their services during post-employment. Nevertheless, both types of benefits constitute compensation for employee services.

The BOCES issues a publicly available financial report that includes financial statements and required supplementary information.

Funding Policy

The contribution requirements of plan members and the BOCES are established by the Board of Cooperative Educational Services. The required contribution is based on projected pay-as-you-go financing requirements.

For the fiscal year ended June 30, 2015, the BOCES contributed \$6,568,326 to the employee health insurance.

Annual Other Post-employment Benefit (OPEB) Cost and Net OPEB Obligation

The BOCES' annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the BOCES' annual OPEB cost for the year, the amount actually contributed to the plan and changes in the BOCES' net OPEB obligation to the healthcare plan:

Annual required contribution	\$	11,153,255
Interest of net OPEB obligation		1,863,577
Adjustment to annual required contribution		<u>(2,938,127)</u>
Annual OPEB cost (expense)		10,078,705
Contributions made		<u>(1,576,882)</u>
Increase in net OPEB obligation		8,501,823
Net OPEB obligation - beginning of year		<u>46,589,416</u>
Net OPEB obligation - end of year	\$	<u><u>55,091,239</u></u>

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Annual Other Post-employment Benefit (OPEB) Cost and Net OPEB Obligation – (Continued)

The BOCES’ annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 10,078,705	15.6%	\$ 55,091,239
June 30, 2014	11,531,948	12.8%	46,589,416
June 30, 2013	10,887,287	11.6%	36,531,849

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$87,986,419 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$87,986,419. The covered payroll (annual payroll of active employees covered by the plan) was \$21,328,751, and the ratio of the UAAL to the covered payroll was 413%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is based on the expected earnings of the BOCES’ General Fund investments at the valuation date and an annual healthcare cost trend rate of 7% initially, reduced by decrements to an ultimate rate of 4.2% after 30 years. Both rates included a 4% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 30 years.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 11 – RISK MANAGEMENT

The BOCES is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

Consortiums and Self Insured Plans

The BOCES participates in the Central New York Employees Workers' Compensation Consortium, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The BOCES' share of the liability for unbilled and open claims was not available at June 30, 2015. These liabilities are fully funded within the plan.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The BOCES leases certain properties under operating lease agreements which run for five to ten years. Total rental expenditures on such leases for the year ended June 30, 2015, were approximately \$257,173. The future minimum noncancelable operating lease payments are as follows:

2016	\$ 163,974
2017	163,974
2018	<u>163,974</u>
TOTAL	<u>\$ 491,922</u>

Other Items

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the BOCES expects such amounts, if any, to be immaterial.

Litigation

With respect to litigation, counsel is not at this time handling any litigation on behalf of BOCES which in their opinion would have a material monetary effect on the BOCES' June 30, 2015, financial statements.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 13 – RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the BOCES implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the BOCES’ participation in the New York State Teachers’ and Employees’ retirement systems. The BOCES’ net position has been restated as follows:

Net position (deficit) beginning of year as previously stated	\$	(27,399,691)
GASB Statement No. 68 implementation:		
Beginning System asset - Teachers' Retirement System		684,023
Beginning System liability - Employees' Retirement Systems		(1,179,054)
Beginning deferred outflow/(inflow) of resources for contributions subsequent to the measurement date:		
Teachers' Retirement System		2,952,843
Employees' Retirement System		510,660
		510,660
Net position (deficit) beginning of year as restated	\$	(24,431,219)

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the issuance date of the audit report. There were no issues to report that would have a material effect on the financial statements.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Fav; (Unfav)
REVENUES				
Local Sources:				
Charges for services	\$ 43,864	\$ 43,864	\$ 89,983	\$ 46,119
Charges to components	50,054,045	58,356,529	55,999,386	(2,357,143)
Charges to other BOCES	3,675,584	3,546,254	3,546,254	0
Interest and earnings	140,000	140,000	27,386	(112,614)
Sale of property and compensation for loss	24,500	47,812	59,075	11,263
Miscellaneous	57,500	1,052,858	2,778,202	1,725,344
Interfund revenues	5,000	5,000	9,630	4,630
Total revenues	54,000,493	63,192,317	62,509,916	(682,401)
EXPENDITURES				
Current:				
Administration	5,728,191	5,728,191	6,755,123	(1,026,932)
Occupational instruction	5,463,310	5,604,897	5,664,208	(59,311)
Instruction for handicapped	13,346,079	14,472,182	13,390,201	1,081,981
Itinerant services	4,219,164	4,555,525	4,012,785	542,740
General instruction	6,669,284	7,782,422	7,396,231	386,191
Instructional support	9,850,379	14,672,707	11,979,434	2,693,273
Other services	8,724,086	10,376,393	9,458,759	917,634
Total expenditures	54,000,493	63,192,317	58,656,741	4,535,576
EXCESS OF REVENUES OVER EXPENDITURES	\$ 0	\$ 0	3,853,175	\$ 3,853,175
RECONCILIATION				
Less - expenditure of prior year's encumbrances			(2,357,143)	
EXCESS OF REVENUES OVER EXPENDITURES			1,496,032	
OTHER FINANCING SOURCES (USES)				
Interfund transfers - out			(140,071)	
Insurances			160,794	
Employee benefit accrued liability			(226,330)	
Retirement reserve			(59,459)	
Refund of surplus			(3,713,107)	
Total other financing sources (uses)			(3,978,173)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			(2,482,141)	
FUND BALANCE – BEGINNING OF YEAR			5,497,374	
FUND BALANCE – END OF YEAR			\$ 3,015,233	

See paragraph on supplemental schedules included in independent auditors' report.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS PLAN

FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ 0	\$ 87,986,419	\$ 87,986,419	0%	\$ 21,328,751	413%
7/1/2013	0	95,494,229	95,494,229	0%	23,467,904	407%
7/1/2012	0	87,299,061	87,299,061	0%	20,041,210	436%

See paragraph on supplemental schedules included in independent auditors' report.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

FOR THE YEAR ENDED JUNE 30, 2015

NYS Teachers' Retirement System

BOCES' proportion of the net pension liability (asset)	0.104082%
BOCES' proportionate share of the net pension liability (asset)	\$ (11,594,077)
BOCES' covered-employee payroll	15,668,696
BOCES' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	74.0%
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.48%

NYS Employers' Retirement System

BOCES' proportion of the net pension liability (asset)	0.0260919%
BOCES' proportionate share of the net pension liability (asset)	\$ 881,447
BOCES' covered-employee payroll	6,910,724
BOCES' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.8%
Plan fiduciary net position as a percentage of the total pension liability	97.9%

See paragraph on supplemental schedules included in independent auditors' report.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2015

NYS Teachers' Retirement System

Contractually required contribution	\$ 2,746,722
Contributions in relation to the contractually required contribution	<u>2,746,722</u>
Contribution deficiency (excess)	<u>\$ 0</u>
BOCES' covered-employee payroll	\$ 15,668,696
Contribution as a percentage of covered-employee payroll	17.53%

NYS Employees' Retirement System

Contractually required contribution	\$ 1,237,035
Contributions in relation to the contractually required contribution	<u>1,237,035</u>
Contribution deficiency (excess)	<u>\$ 0</u>
BOCES' covered-employee payroll	\$ 6,910,724
Contribution as a percentage of covered-employee payroll	17.90%

See paragraph on supplemental schedules included in independent auditors' report.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SUPPLEMENTARY INFORMATION

ANALYSIS OF ACCOUNT A431 – SCHOOL DISTRICTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
(CREDIT) BALANCE - BEGINNING OF YEAR	\$ (3,523,222)	\$ (1,252,691)
DEBITS		
Billings to school districts and other BOCES	59,545,640	58,267,889
Refund of balances due school districts	4,031,204	4,048,291
Encumbrances - end of year	0	2,357,143
Total Debits	63,576,844	64,673,323
CREDITS		
BOCES' aid due school districts	11,340,067	9,789,193
Collections from school districts	52,348,837	60,555,508
Revenues in excess of expenditures	1,355,963	4,909,501
Encumbrances - beginning of year	2,357,143	1,478,845
Total Credits	67,402,010	76,733,047
(CREDIT) BALANCE - END OF YEAR	\$ (7,348,388)	\$ (13,312,415)

See paragraph on supplemental schedules included in independent auditors' report.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES –
COMPARED TO BUDGET – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	Revenues				Expenditures				
	Original Budget	Revised Budget	Current Years Revenues	Over (Under) Revised Budget	Original Budget	Revised Budget	Current Years Expenditures	Encumbrances	Unencumbered (Overexpended) Balances
Administration 001-002	\$ 5,728,191	\$ 5,728,191	\$ 7,055,258	\$ 1,327,067	\$ 5,728,191	\$ 5,728,191	\$ 6,895,194	\$ 0	\$ (1,167,003)
Occupational Instruction 100-199	5,463,310	5,604,897	5,708,142	103,245	5,463,310	5,604,897	5,765,360	0	(160,463)
Instruction for Handicapped 200-299	13,346,079	14,472,182	14,530,660	58,478	13,346,079	14,472,182	13,390,201	0	1,081,981
Itinerant 300-399	4,219,164	4,555,525	4,533,518	(22,007)	4,219,164	4,555,525	4,012,785	0	542,740
General Instruction 400-499	6,669,284	7,782,422	7,644,690	(137,732)	6,669,284	7,782,422	7,554,708	0	227,714
Instructional Support 500-599	9,850,379	14,672,707	12,867,360	(1,805,347)	9,850,379	14,672,707	13,981,384	0	691,323
Other Services 600-699	8,724,086	10,376,393	10,170,290	(206,103)	8,724,086	10,376,393	9,554,323	0	822,070
TOTALS	<u>\$ 54,000,493</u>	<u>\$ 63,192,317</u>	<u>\$ 62,509,918</u>	<u>\$ (682,399)</u>	<u>\$ 54,000,493</u>	<u>\$ 63,192,317</u>	<u>\$ 61,153,955</u>	<u>\$ 0</u>	<u>\$ 2,038,362</u>
EXCESS REVENUES					<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,355,963</u>		

See paragraph on supplemental schedules included in independent auditors' report.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SUPPLEMENTARY INFORMATION

NET INVESTMENT IN CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS, NET		\$ 41,407,543
DEDUCT:		
Short-term portion of debt	1,615,000	
Long-term portion of debt	<u>27,420,000</u>	
		<u>29,035,000</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 12,372,543</u></u>

See paragraph on supplemental schedules included in independent auditors' report.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**FEDERAL AWARD PROGRAM INFORMATION
(SINGLE AUDIT)**

(OMB CIRCULAR A-133)

JUNE 30, 2015



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Cooperative Educational Services
Sole Supervisory District of
Oneida, Herkimer and Madison Counties
New Hartford, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BOCES' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of the BOCES' 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 a 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BOCES' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WEST & COMPANY CPAs PC

Gloversville, New York
September 30, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Cooperative Educational Services
Sole Supervisory District of
Oneida, Herkimer and Madison Counties
New Hartford, New York

Report on Compliance for Each Major Federal Program

We have audited Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services (BOCES) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2015. The BOCES' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the BOCES' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the BOCES' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the BOCES' compliance.

Opinion on Each Major Federal Program

In our opinion, the BOCES' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the BOCES is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the BOCES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

WEST & COMPANY CPAs PC

Gloversville, New York
September 30, 2015

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Current Year Federal Expenditures</u>
<u>U.S. Department of Education</u>		
(Passed through the State Education Department of the State of New York - Pass-through Grantor's No. 419000000000)		
SETRC	84.027	\$ 116,558
Vocational Education - Basic Grants to States	84.048	80,166
ARRA-RTTT Strength Teach/Lead Effect	84.395	630,642
		<hr/>
Total U.S. Department of Education		827,366
<u>U.S. Department of Agriculture</u>		
Direct Award:		
Food Distribution Program	10.555	251,627
(Passed through the State Education Department of the State of New York - Pass-through Grantor's No. 419000000000)		
Summer Food Service Program	10.559	63,025
National School Breakfast Program	10.553	508,989
National School Lunch Program	10.555	1,790,910
		<hr/>
Total U.S. Department of Agriculture		2,614,551
		<hr/>
TOTAL FEDERAL AWARDS		\$ 3,441,917
		<hr/> <hr/>

See notes to schedule of expenditures of federal awards.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the BOCES, which is described in Note 1 to the BOCES' accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the BOCES' federal award programs have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the BOCES' share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the BOCES' financial reporting system.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the BOCES had food commodities totaling \$64,000 in inventory.

NOTE C – CLUSTER PROGRAMS

The following programs are identified by "OMB Circular A-133 Compliance Supplement" to be part of a cluster programs:

Nutrition Cluster

CFDA #10.553
CFDA #10.555
CFDA #10.555
CFDA #10.559

School Breakfast Program
National School Lunch Program
Food Distribution
National Summer Food Service Program

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2015

There were no audit findings disclosed during the prior audit.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued: unqualified
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? ___ Yes X No
 - b. Significant deficiency(ies) identified? ___ Yes X No
3. Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness(es) identified? ___ Yes X No
 - b. Significant deficiency(ies) identified? ___ Yes X No
2. Type of auditors' report issued on compliance for major programs: unqualified
3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ___ Yes X No
4. Identification of major programs:

<u>Program Name</u>	<u>CFDA No.</u>
Food Distribution Program	10.555
Summer Food Service Program	10.559
National School Breakfast Program	10.553
National School Lunch Program	10.555
ARRA- RTTT –Strength teach/lead effect	84.395

5. Dollar threshold used to distinguish between type A and B programs: \$300,000.
6. Auditee qualified as low-risk auditee? X Yes ___ No

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

AUDITED FINANCIAL STATEMENTS

EXTRACLASSROOM ACTIVITY FUNDS

JUNE 30, 2015



INDEPENDENT AUDITORS' REPORT

Board of Cooperative Educational Services
Sole Supervisory District of
Oneida, Herkimer and Madison Counties
New Hartford, New York

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services as of June 30, 2015, and the related statement of revenues collected and expenses paid for the year then ended, 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 the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 qualified audit opinion.

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts at the point of collections to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services as of June 30, 2015, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

WEST & COMPANY CPAs PC

Gloversville, New York
September 30, 2015

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2015

ASSETS	
Cash	\$ 6,561
TOTAL ASSETS	<u>\$ 6,561</u>
LIABILITIES AND CLUB BALANCES	
Sales tax payable	\$ 141
Club balances	6,420
TOTAL LIABILITIES AND CLUB BALANCES	<u>\$ 6,561</u>

See independent auditors' report.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balances July 1, 2014</u>	<u>Total Receipts</u>	<u>Total Disbursements</u>	<u>Balances June 30, 2015</u>
<u>ACTIVITIES</u>				
Future Farmers of America	\$ 3,038	\$ 6,373	\$ 6,062	\$ 3,349
VICA	3,819	1,128	1,876	3,071
New York State Sales Taxes	147	391	397	141
TOTAL ALL FUNDS	<u>\$ 7,004</u>	<u>\$ 7,892</u>	<u>\$ 8,335</u>	<u>\$ 6,561</u>

See accompanying note.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds of the Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services represent funds of the students of the BOCES. The BOCES' Board exercises general oversight on these funds. The Extraclassroom Activity Funds are independent of the BOCES with respect to its financial transactions and the designation of student management. However, since the BOCES' Board does exercise general oversight, these funds and their corresponding cash accounts are reflected in the Trust and Agency Fund of the financial statements of the BOCES.

The books and records of the Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

Interest earned on savings is credited to each permanent activity equally, as authorized by the BOCES' Board.

NOTE 2 – MANAGEMENT LETTER

Management letter items associated with the Extraclassroom Activity Funds are included in the management letter accompanying the BOCES' financial statements.



September 30, 2015

To the President and the Other Members of the
Oneida, Herkimer and Madison Counties
Board of Cooperative Educational Services
New Hartford, New York

Re: Management Letter
June 30, 2015

Dear Board Members:

In planning and performing our audit of the financial statements of the Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services (BOCES) for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the BOCES' internal control over financial reporting 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 the BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. We previously reported on the BOCES' internal control in our report dated September 30, 2015. A separate report dated September 30, 2015, contains our report on significant deficiencies or material weaknesses in the BOCES' internal control. This letter does not affect our report dated September 30, 2015, on the financial statements of Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services.

Prior-Year Conditions

1. Debt Service Fund

Prior Condition: In order to report transactions associated with funding through the Dormitory Authority of New York State (DSNY), the BOCES established a Debt Service Fund. The accounting software does not allow for a Debt Service Fund and, in addition, there is no provision for reporting a Debt Service Fund in the SA-111 report.

Status: This condition is unchanged for the year ended June 30, 2015.

Recommendation: The BOCES must contact the software vendor and secure the appropriate software for including a Debt Service Fund. The BOCES should also contact the New York State Comptroller's Office for clarification on the reporting requirements for including the Debt Service Fund in its annual report.

2. **Extraclassroom Activity Fund**

Prior Condition: During our testing, we noted that no profit and loss summaries or inventory control sheets were utilized for fund raising activities.

Status: This condition was unchanged as of June 30, 2015.

Recommendation: We recommend that the District review proper accounting and record keeping procedures with all individuals involved in extraclassroom activities. These procedures can be found in “Safeguarding Accounting and Auditing of Extraclassroom Activity Funds”, Finance Pamphlet #2, issued by the New York State Education Department.

3. **General Fund**

Prior Condition: During review of subsequent receipts, we noted e-rate deposits that should have been included in the June 30, 2014 books and records.

Status: This condition was correct as of June 30, 2015.

4. **Fixed Assets**

Prior Condition: The BOCES currently capitalizes every asset over \$500 for GASB 34 reporting, which leads to days of work for staff and a delay in closing out the year-end books.

Status: This condition was corrected as of June 30, 2015.

Current-Year Conditions

1. **Accounts Payable**

Condition: During review of the Special Aid fund we noted that payables for a grant that ended June 30, 2015 were not recorded in the books and records of the BOCES.

Recommendation: When grants are not multiple years all expenditures need to be captured in the grant’s period of availability.

* * * * *

We appreciate the courtesies and assistance provided to us during our audit by the entire Business Office staff. We have already discussed many of these comments and suggestions with various BOCES personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

Very truly yours,

WEST & COMPANY CPAs PC

WEST & COMPANY CPAs PC

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**SUMMARY OF CERTAIN PROVISIONS
OF THE LEASE AND AGREEMENT**

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SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND AGREEMENT

The following is a brief summary of certain provisions of the Lease and Agreement relating to the Series 2016 Bonds. Such summary does not purport to be complete and reference is made to the Agreement for full and complete statements of such and all provisions. Unless otherwise indicated, the provisions summarized below are found in the Agreement. Defined terms used in the Agreement will have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

TERM OF LEASE

The term of the Agreement will commence on the date on which the Series 2016 Bonds are first issued and delivered by the Authority, and will terminate on the date on which no Series 2016 Bonds are Outstanding and OHM BOCES has satisfied its obligations under the Agreement (the "Lease Term"). Notwithstanding the termination of the term of the Agreement, the obligations of OHM BOCES under such Agreement will not terminate unless and until no Series 2016 Bonds are outstanding and OHM BOCES has satisfied its obligations under such Agreement, provided that the sections from the Agreement as summarized under the headings "Indemnification of Authority and Limitation on Liability" and "Tax Exempt Status of the Bonds" herein will survive such termination.

(Section 2.02)

PAYMENT OF RENTALS

(a) the OHM BOCES will pay to the Authority the following Basic Rent in the amounts and on the dates as follows:

(i) Subject to subdivision (e) of this subsection, on each September 1, or if such September 1 is not a Business Day then the next succeeding Business Day, the interest on Outstanding Series 2016 Bonds payable on the next succeeding February 15 and August 15 and the principal and Sinking Fund Installments of Outstanding Series 2016 Bonds payable by reason of maturity and redemption on the next succeeding August 15;

(ii) Subject to subdivision (e) of this subsection, on each September 1, or if such September 1 is not a Business Day then the next succeeding Business Day, the amount, if any, as shall have been set forth in the certificate of the Trustee made pursuant to the Master Resolution as summarized in Appendix D under the heading "Debt Service Reserve Fund" as necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement; and

(iii) On the fifth Business Day prior to each interest payment date, the amount, if any, necessary to cause the amount on deposit in the Debt Service Fund to equal the amount of principal of and interest payable on the Series 2016 Bonds on such interest payment date.

OHM BOCES will have the option to make from time to time prepayments in part of payments due as aforesaid of Basic Rent, together with interest accrued and to accrue and premium, if any, to be paid on the Series 2016 Bonds, if such prepayment is to be used for the purchase or redemption of such Series 2016 Bonds. To the extent that the OHM BOCES prepays all of the Basic Rent payable with respect to the Project (as determined by the Authority and OHM BOCES), the Project may be released from the Agreement. The Trustee will apply such prepayments in such manner consistent with the provisions of the Master Resolution as may be specified in writing by the OHM BOCES at the time of making such prepayment.

Subject to the provisions of the Agreement and of the Master Resolution, OHM BOCES will receive a credit against the amount required to be paid by the OHM BOCES pursuant to subparagraph (i) of this subsection (a) on account of any Sinking Fund Installments if, not less than forty-five (45) days prior to an August 15 on which a Sinking Fund Installment is scheduled to be due, there will be delivered to the Trustee for cancellation one or more of the Series 2016

Bonds of the Series and maturity to be so redeemed on such August 15. The amount of the credit will be equal to the principal amount of Bonds so delivered and cancelled.

(b) OHM BOCES will pay to the Authority, as additional rent for the Project, the amounts, and on the dates, as follows:

(i) On the date of delivery of the Series 2016 Bonds, to the extent not paid from the proceeds of the Series 2016 Bonds, the Authority Fee and any Administrative Expenses, as estimated by an Authorized Officer of the Authority, incurred in connection with the issuance of the Series 2016 Bonds;

(ii) On each March 31 or such other date as may be agreed to by the Authority, the Annual Administrative Fee;

(iii) The Administrative Expenses of the Authority, the Trustee and each Paying Agent for the Series 2016 Bonds, within sixty (60) days after notice of the amount thereof is given to the OHM BOCES; and

(iv) The amount determined by an Authorized Officer of the Authority as required to be rebated to the Department of the Treasury of the United States of America in excess of the amount available therefor in the Arbitrage Rebate Fund.

(c) The Authority will furnish OHM BOCES not less than sixty (60) days prior to the date on which a payment is due pursuant to this subsection, a statement of the amount, purpose and payment date of each payment required to be made pursuant to this subsection. With respect to the payment of Basic Rent pursuant to subsection (a) above, the amount set forth in such statement will be net of amounts on deposit in the Debt Service Fund, including the State funds received and such interest earnings thereon, if any, as of the date of such statement and such statement will set forth the amount of such State funds received, such interest earnings thereon and amounts still owed to the Authority. The failure to furnish such statement will not excuse OHM BOCES's failure to pay, when due, the Basic Rent payable pursuant to this section.

(d) In addition to the payments required under this heading, in the event a Reserve Fund Facility is deposited for all or part of the Debt Service Reserve Fund Requirement in accordance with the Master Resolution, as summarized in Appendix E under the heading "Debt Service Reserve Fund," OHM BOCES will be obligated (i) to make payments to the Trustee to restore the Debt Service Reserve Fund to its requirement so that the Facility Provider may be reimbursed for amounts paid by it pursuant to such Reserve Fund Facility and (ii) to pay the Administrative Expenses of the Authority incurred in connection with such Reserve Fund Facility, including without limitation, amounts necessary to pay fees, expenses and interest payable to the Facility Provider by the Authority in connection with such Reserve Fund Facility. If the Reserve Fund Facility is to be replaced with money pursuant to the third paragraph of the heading "Debt Service Reserve Fund" summarized in Appendix E, OHM BOCES will be obligated to make payments to the Trustee in amounts and at the times that deposits are to be made to the Debt Service Reserve Fund pursuant to such paragraph.

(e) OHM BOCES will receive a credit against payment due under the Agreement equal to the amount of State funds received by the Trustee or the Authority to be applied towards such payment. If the amount of such State funds received by the Trustee or the Authority on September 1 is less than the amount required to be paid under the Agreement, the Authority will give notice to OHM BOCES not more than ten (10) days from such September 1. Such notice will state the amount received by the Trustee and the Authority and the amount still due and payable.

The Authority will notify OHM BOCES of the receipt of any payment of State funds by the Authority or the Trustee after September 1 no more than ten (10) days after receipt of such funds, which notice will state the amount received by the Trustee and the Authority and the amount still due and payable. If the amount of State funds received by the Trustee or the Authority by January 1 of each year is less than the amount of interest payable on the Series 2016 Bonds on February 15, OHM BOCES will pay to the Trustee by January 15 the difference between the amount of State funds received and the interest payable on the Series 2016 Bonds on February 15. If the amount of State funds received by the Trustee or the Authority by July 1 of each year, after the application of the amounts necessary to make the interest payments due on the preceding February 15, is less than the amount of principal and interest payable on the Series 2016 Bonds on August 15, OHM BOCES will pay to the Trustee by July 15 the difference between the amount of State funds received and the principal and interest payable on the Series 2016 Bonds on August 15.

If on January 1 of each year the amount of moneys on deposit in a Debt Service Reserve Fund is less than the applicable Debt Service Reserve Fund Requirement, OHM BOCES will pay to the Trustee by January 15 the difference between the amount of State funds received and the amount of money to make up the deficiency in the applicable Debt Service Reserve Fund and satisfy the applicable Debt Service Reserve Fund Requirement. If on July 1 of each year the amount of moneys on deposit in a Debt Service Reserve Fund is less than the applicable Debt Service Reserve Fund Requirement, OHM BOCES will pay to the Trustee by July 15 the difference between the amount of State funds received and the amount of money to make up the deficiency in the applicable Debt Service Reserve Fund and satisfy the applicable Debt Service Reserve Fund Requirement.

(Section 4.01)

INDEMNIFICATION OF AUTHORITY AND LIMITATION ON LIABILITY

Both during the Lease Term and thereafter, OHM BOCES, to the extent permitted by law, (i) will release the Authority and each director, officer and employee of the Authority from claims for damages or liability arising from or out of the design, acquisition, construction, reconstruction, rehabilitation, improvement, or use of the Leased Property pursuant to the Agreement, and (ii) will indemnify and hold the Authority and each member, officer and employee of the Authority harmless against any and all liabilities, losses, costs, damages or claims, and will pay any and all judgments or expenses of any and all kinds or nature and however arising, imposed by law, including interest thereon, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, action, suit, charge or proceeding arising (1) from or out of the design, acquisition, construction, reconstruction, rehabilitation, improvement or use of the Leased Property (including the Project), pursuant hereto, based upon: personal injury, death, or damage to property, whether real, personal or mixed; or upon or arising out of contracts entered into by the Authority; or (2) upon or arising out of the Authority's ownership of a leasehold estate of the Leased Property or the leasing thereof to OHM BOCES; or (3) upon or arising out of the acquisition of the Leased Property, or upon or arising out of an allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of the Series 2016 Bonds contained an untrue or misleading statement of a material fact obtained from OHM BOCES relating to OHM BOCES or the Project, or omitted to state a material fact relating to the BOCES or the Project necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; provided, however, that neither the Authority nor a member, officer or employee of the Authority will be released, indemnified or held harmless from any claim for damages, liability, loss, cost, damage, judgment or expense arising out of the gross negligence or willful misconduct of the Authority, such member, officer or employee. The Authority will not settle any such suit, action or proceeding without the prior written consent of counsel to OHM BOCES.

(Section 4.03)

NATURE OF OBLIGATION OF THE BOCES

The obligation of OHM BOCES to pay Rentals and to pay all other amounts provided for in the Agreement and to perform its obligations thereunder are absolute and unconditional, and such Rentals and other amounts are payable without any rights of set-off, recoupment or counterclaim it might have against the Authority, the Trustee or any other person and whether or not any or all of the Project is used or occupied or available or suitable for use or occupancy and whether or not OHM BOCES Lease is in effect. If OHM BOCES has paid all amounts required under the Agreement and continues to pay the same when due, it will not be precluded from bringing any action it may otherwise have against the Authority; provided, however, that OHM BOCES will not as a result of OHM BOCES' failure to pay any Administrative Expenses or Annual Administrative Fee be precluded from bringing any such action if the amount thereof is disputed or is being contested by OHM BOCES in good faith.

The Agreement is a general obligation of OHM BOCES and any successor thereto. Any payment required to be made by OHM BOCES to the Authority pursuant thereto will be deemed an administrative expense within the meaning of section nineteen hundred fifty of the Education Law of the State.

(Section 4.04)

PLEDGE BY THE BOCES

OHM BOCES assigns and pledges to the Authority a sufficient portion of any and all public funds to be apportioned or otherwise to be made payable by the State to OHM BOCES, to cover the payments required under the Agreement and directs and acknowledges that such amounts will be paid directly to the Applicable Trustee as provided in the Act and Section 3609-d of the Education Law of the State. Such assignment and pledge will be irrevocable and will continue until the date on which the liabilities of the Authority and the Project have been discharged and the Series 2016 Bonds of the Authority have been paid or such Bonds have otherwise been discharged.

OHM BOCES agrees that the pledges and assignments made under the Lease Agreement from any State funds payable to OHM BOCES and received by the Trustee will be applied to any payments to be made by OHM BOCES with regard to the Series 2016 Bonds required pursuant to the Lease Agreement.

(Section 4.05)

OPERATION, MAINTENANCE AND REPAIR

During the Lease Term, OHM BOCES will be responsible for, and pay all costs of, operating the Leased Property, maintaining the same in condition suitable and sufficient for the use for which it is intended, and making all necessary repairs and replacements, interior and exterior, structural and nonstructural.

OHM BOCES is responsible for the over-all supervision of the Leased Property, for the overhead and general administrative costs of OHM BOCES incurred because of the Leased Property and for the integration of the operation of the Leased Property into OHM BOCES educational program.

(Section 5.01)

UTILITIES, TAXES AND GOVERNMENTAL CHARGES

OHM BOCES will pay or cause to be paid all charges for water, electricity, light, heat or power, sewage, telephone and other utility service, rendered or supplied upon or in connection with the Leased Property during the Lease Term.

In addition, OHM BOCES will (i) pay, or make provision for payment of, all lawful taxes and assessments (other than those which are the basis of a Permitted Encumbrance), including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any federal, state or any municipal government upon the Authority or OHM BOCES with respect to or upon the Leased Property or any part thereof or upon any payments under the Agreement when the same will become due; (ii) not create or suffer to be created any lien or charge upon the Leased Property or any part thereof, except Permitted Encumbrances, or upon the payments in respect thereof pursuant hereto; and (iii) pay or cause to be discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same will come into force, any lien or charge upon the Leased Property or any part thereof, except Permitted Encumbrances, or upon any payments under the Agreement and all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon any payments under the Agreement.

The Authority will cooperate fully with OHM BOCES in the payment of taxes or assessments and in the handling and conduct of any prospective or pending litigation with respect to the levying of taxes or assessments on the Leased Property and will, to the extent it may lawfully do so, permit OHM BOCES to litigate in any such proceeding in the name and behalf of the Authority.

(Section 5.02)

ADDITIONS, ENLARGEMENTS AND IMPROVEMENTS

OHM BOCES will have the right at any time and from time to time during the Lease Term, at its own cost and expense, to make such additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, the Project, as OHM BOCES will deem necessary or desirable in connection with the use thereof; provided, however, that no addition to or enlargement, improvement, expansion, repair, reconstruction or restoration of, the Project which requires structural change of the Project, or which modifies or changes any aspect or feature thereof designed or intended to protect the life or provide for the safety of the occupants of the Project, will be made by OHM BOCES without the prior written consent of an Authorized Officer of the State Education Department. The cost of any such additions, enlargements, improvements, expansions, repairs, reconstruction or restorations will be promptly paid or discharged so that the Project will at all times be free of liens for labor and materials supplied thereto other than Permitted Encumbrances. All additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, the Project on the Leased Property will be and become a part of the Project and the property leased to the Authority under the Agreement.

(Section 5.03)

INSURANCE

OHM BOCES will, in accordance with the requirements of the Agreement, procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers, insurance of the type and in the amounts customarily maintained by educational institutions providing services similar to those provided by OHM BOCES. All policies of insurance required by the Agreement will be primary to any insurance maintained by the Authority. In the event OHM BOCES fails to provide the insurance required by the Agreement, the Authority may elect at any time thereafter to procure and maintain the insurance required therein at the expense of OHM BOCES.

(Section 5.05)

DAMAGE OR DESTRUCTION

OHM BOCES agrees to notify the Authority and the Trustee immediately in the case of damage to or destruction of the Leased Property or any portion thereof in an amount exceeding \$100,000 resulting from fire or other casualty. The Authority agrees that the net proceeds of any insurance relating to such damage or destruction, not exceeding \$100,000, may be paid directly to OHM BOCES.

In the event the Leased Property or any portion thereof is damaged or destroyed by fire or other casualty and the damage or destruction is estimated to exceed \$100,000, the net proceeds of any insurance will be initially paid directly to the Authority for deposit and application as provided in the Agreement. OHM BOCES will within one hundred eighty (180) days after such damage or destruction determine whether or not to repair, reconstruct, restore or improve the Leased Property and give written notice of such determination to the Authority. If OHM BOCES elects to repair, reconstruct, restore or improve the Leased Property it will proceed forthwith to repair, reconstruct, restore or improve the Leased Property to substantially the same condition as it existed prior to the event causing such damage or destruction. So long as OHM BOCES is not in default under the Agreement as summarized herein under the heading "Events of Default and Remedies" hereof, any net proceeds of insurance relating to such damage or destruction received by the Authority will be deposited to the credit of the Construction Fund and applied to payment of the costs of such repairs, reconstruction, restoration or improvement in the same manner and upon the same conditions as set forth in the Master Resolution for the payment of the Costs of the Project from the Construction Fund.

It is further understood and agreed that in the event OHM BOCES will elect to repair, reconstruct, restore or improve the Leased Property, OHM BOCES will complete the repairs, reconstruction, restoration or improvement of the Leased Property.

In the event OHM BOCES elects not to repair, reconstruct, restore or improve the Leased Property, the net proceeds of any insurance will be paid to the Authority, as a prepayment of the Rentals under the Agreement, for

deposit to the Debt Service Fund and application to the redemption of Outstanding Series 2016 Bonds or for payment to the Trustee, to be held by the Trustee, in trust, pursuant to the Master Resolution as summarized in Appendix E under the heading “Defeasance” for the payment of Outstanding Series 2016 Bonds in accordance with the written instructions of an Authorized Officer of the Authority.

(Section 5.06)

CONDEMNATION

The Agreement and the interest of OHM BOCES will terminate as to the Project or portion thereof on Leased Property and the Leased Property appertaining thereto condemned or taken by eminent domain when title thereto vests in the party condemning or taking the same (hereinafter referred to as the “termination date”). OHM BOCES irrevocably assigns to the Authority all right, title and interest of OHM BOCES in and to any net proceeds of any award, compensation or damages (hereinafter referred to as an “award”), payable in connection with any such condemnation or taking during the Lease Term. Such net proceeds will be initially paid to the Authority for deposit and application as hereinafter provided.

In the event of any such condemnation or taking, OHM BOCES will within ninety (90) days after the termination date therefor determine whether or not to repair, reconstruct, restore or improve the Project and give written notice of such determination to the Authority. If any OHM BOCES elects to repair, reconstruct, restore or improve the Project, so long as OHM BOCES is not in default under the Agreement as summarized under the heading “Events of Default and Remedies” herein, any such net proceeds received by the Authority will be deposited to the credit of the Construction Fund and be applied to finance the costs of such repairs, reconstruction, restoration or improvements in the same manner and upon the same conditions set forth in the Master Resolution for the payment of the Costs of the Project from the Construction Fund.

In the event OHM BOCES elects not to repair, reconstruct, restore or improve the Project, the award will be paid to the Authority, as a prepayment of the Rentals under the Agreement, for deposit to the Debt Service Fund and application to the redemption of Outstanding Series 2016 Bonds or for payment to the Trustee, to be held by the Trustee, in trust, pursuant to the Master Resolution as summarized in Appendix D under the heading “Defeasance” for the payment of Outstanding Bonds in accordance with the written instructions of an Authorized Officer of the Authority.

The Authority will cooperate fully with OHM BOCES in the handling and conduct of any prospective or pending condemnation proceedings with respect to the Project on Leased Property or any part thereof and will, to the extent it may lawfully do so, permit OHM BOCES to litigate in any such proceeding in the name and behalf of the Authority. In no event will the Authority voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceedings with respect to the Project on Leased Property or any part thereof without the written consent of OHM BOCES.

(Section 5.07)

ASSIGNMENT BY BOCES

OHM BOCES will not sell, sublease or otherwise dispose of or encumber its interest in the Project except as provided herein under the heading “Sale; Subletting.” The Agreement may not be assigned in whole or in part by OHM BOCES.

(Section 7.04)

USE OF PROJECT

OHM BOCES agrees that the Project will be occupied or used only by or for students, members of the faculty, staff and personnel, officers and employees of OHM BOCES, and the district superintendent of schools, in each case in connection with their respective duties, functions and responsibilities relating to the operation of the Project, or, on a temporary basis, by or for individuals connected with educational activities; provided, however,

that any occupancy or use of the Project which is from time to time Authorized or permitted by the provisions of the Education Law of the State relating to boards of cooperative educational services will be deemed to be authorized or permitted by this section.

(Section 7.05)

RESTRICTIONS ON RELIGIOUS USE

OHM BOCES agrees that with respect to the Project or portion thereof, so long as the Project or portion thereof exists and unless and until the Project or portion thereof is sold for the fair market value thereof, the Project or any portion thereof will not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction will not prohibit the free exercise of any religion and will not restrict or inhibit compliance with the Equal Access Act, 20 U.S.C. Sections 4071-4074; and, further provided, however, that if at any time hereafter, in the opinion of Bond Counsel, the then applicable law would permit the Project or a portion thereof to be used without regard to the above stated restriction, said restriction will not apply to the Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion of real property thereof financed by Bonds is being used for any proscribed purpose. OHM BOCES further agrees that prior to any disposition of any portion of the Project for less than fair market value, it will execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of the Project to the restriction that (i) so long as such portion of the Project (and, if included in the Project, the real property on or in which such portion of the Project is situated) will exist and (ii) until such portion of the Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of the Project will not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction will further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction will also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of the Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction will be without any force or effect. For the purposes of this paragraph an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, will be considered a sale for the fair market value thereof.

(Section 7.06)

SALE; SUBLETTING

No Leased Property will be sold by OHM BOCES, or any other person or entity succeeding to any of their respective interests without the prior written consent of the Authority, accompanied by an opinion of Bond Counsel to the effect that such sale would not adversely affect the exclusion of the interest on any of the Bonds from gross income for federal income tax purposes.

No Leased Property will be sublet by OHM BOCES, or any other person or entity succeeding to any of their respective interests without the prior written consent of the Authority, accompanied by an opinion of Bond Counsel to the effect that such sublease would not adversely affect the exclusion of the interest on any of the Bonds from gross income for federal income tax purposes.

The sale or subletting of Leased Property will not reduce the Rentals payable under the Agreement and will not otherwise affect the obligations of OHM BOCES thereunder.

(Section 7.07)

COVENANT NOT TO AFFECT THE TAX EXEMPT STATUS OF THE BONDS

OHM BOCES, so long as it leases the Project and Leased Property under the Agreement, (i) will take no action, or permit any action to be taken, or omit to take any action, with respect to the Project or any Project which will

adversely affect the exclusion of interest on any Series 2016 Bonds from gross income for purposes of federal income taxation; (ii) will not invest or otherwise use “gross proceeds” of the Series 2016 Bonds in a manner which would cause any Series 2016 Bond (other than a Series 2016 Bond designated as federally taxable) to be an “arbitrage bond” within the meaning of Section 148 of the Code, and any proposed or final regulations thereunder as are applicable to any Series 2016 Bond; and (iii) will not, nor will any “related person,” as defined in Section 147(a)(2) of the Code, pursuant to an arrangement, formal or informal, purchase Series 2016 Bonds (other than Series 2016 Bonds designated as federally taxable) in an amount related to the amount of any obligation to be acquired by the Authority from the BOCES.

(Section 7.09)

EVENTS OF DEFAULT AND REMEDIES

An “event of default” or a “default” will mean, whenever they are used in the Agreement, any one or more of the following events:

(a) Failure by OHM BOCES to pay or cause to be paid when due the Rentals to be paid under the Agreement which failure continues for a period of seven (7) days after payment thereof was due;

(b) Failure by OHM BOCES to pay or to cause to be paid when due any other payment required to be made under the Agreement which failure continues for a period of thirty (30) days after payment thereof was due, provided that written notice thereof will have been given to OHM BOCES not less than thirty (30) days prior to the due date thereof;

(c) Failure by OHM BOCES to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraphs (a) and (b) of this section, which failure will continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to OHM BOCES by the Authority or such longer period, as is required to cure such default, if by reason of the nature of such failure the same cannot be remedied within such thirty (30) day period and OHM BOCES has within such thirty (30) day period commenced to take appropriate actions to remedy such failure and is diligently pursuing such actions;

(d) Any representation or warranty of OHM BOCES contained in the Agreement will have been at the time it was made untrue in any material respect; or

(e) OHM BOCES will generally not pay its debts as such debts become due, or will admit in writing its inability to pay its debts generally, or will make a general assignment for the benefit of creditors; or any proceeding will be instituted by or against OHM BOCES seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it for any substantial part of its property; or OHM BOCES will authorize any of the actions set forth above in this subparagraph (e).

(Section 8.01)

Whenever any event of default referred to above will have happened and be continuing, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of OHM BOCES under the Agreement.

(Section 8.02)

AMENDMENTS, CHANGES AND MODIFICATIONS

The Agreement may be amended, changed or modified in any respect provided that each amendment, change or modification is in writing signed by an Authorized Officer of the Authority and of OHM BOCES; provided, however, that no amendment, change or modification will take effect unless and until (i) if the consent of Holders of Outstanding Series 2016 Bonds is required by the Master Resolution as summarized in Appendix E under the heading "Amendment, Change, Modification or Waiver of Agreement," there will have been filed with the Trustee the written consents of the Holders of the percentages of Outstanding Series 2016 Bonds specified under such heading of the Master Resolution, (ii) if the consent of the Trustee is required by such section, the Trustee will have consented thereto and (iii) an executed copy of such amendment, change or modification, certified by an Authorized Officer of the Authority, will have been filed with the Trustee.

(Section 9.04)

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**SUMMARY OF CERTAIN PROVISIONS
OF THE MASTER RESOLUTION**

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION

The following is a brief summary of certain provisions of the Master Resolution. Such summary does not purport to be complete and reference is made to the Master Resolution for full and complete statements of such and all provisions. Defined terms used in the Master Resolution will have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Master Resolution, Series Resolution and Bonds Constitutes Separate Contracts

With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of an Applicable Series authorized to be issued under the Master Resolution and under the Applicable Series Resolution by those who will hold or own the same from time to time, the Master Resolution and the Applicable Series Resolution will be deemed to be and will constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds, and the pledge and assignment made in the Master Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority will be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds of an Applicable Series, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction of any such Bonds of such Series over any other Bonds except as expressly provided in the Master Resolution or permitted by the Master Resolution or by the Applicable Series Resolution.

(Section 1.03)

Authorization of the Series 2016 Bonds

The Bonds will be issued pursuant to the Master Resolution, the Series 2016 Resolution, and the Act. In addition to the Series 2016 Bonds, the Master Resolution authorizes the issuance of other Series of Bonds for such other purposes as are authorized by the Master Resolution.

The Bonds of the Authority will not be a debt of the State, nor will the State be liable thereon, nor will the Bonds be payable out of any funds other than those of the Authority pledged by the Master Resolution to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds.

(Section 2.01)

Additional Bonds and Other Obligations

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Master Resolution or Applicable Series Resolution, entitled to a charge or lien or right prior or equal to the charge or lien created by the Master Resolution, or prior or equal to the rights of the Authority and Holders of Bonds provided by the Master Resolution or with respect to the moneys pledged under thereunder or pursuant to an Applicable Series Resolution.

(Section 2.05)

Authorization of Redemption

Bonds subject to redemption prior to maturity will be redeemable at such times, at such Redemption Prices and upon such terms as may be specified in the Master Resolution or in the Applicable Series Resolution authorizing their issuance or the Applicable Bond Series Certificate.

(Section 4.01)

Redemption at Election of the Authority

The Series, maturities, and principal amounts of the Bonds to be redeemed at the election or direction of the Authority will be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Master Resolution or in the Series Resolution authorizing such Series or the Applicable Bond Series Certificate. The notice of redemption required by the Master Resolution to be given will not be given with respect to Bonds to be redeemed pursuant to the Master Resolution unless prior to the date such notice is to be given the Authority will have obtained the written consent of each Facility Provider to which Provider Payments are then due and unpaid.

(Section 4.02)

Selection of Bonds to Be Redeemed

Unless otherwise provided in the Series Resolution authorizing the issuance of Bonds of a Series or the Bond Series Certificate relating to such Bonds, in the event of redemption of less than all of the Outstanding Bonds of like Series, maturity and tenor, the Trustee will assign to each Outstanding Bond of the Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and will select by lot, using such method of selection as it will deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, will equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw the Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Master Resolution) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds drawn will exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed will be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued will be redeemed as will equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

(Section 4.04)

Notice of Redemption

Whenever Bonds are to be redeemed, the Trustee will give notice of the redemption of the Bonds in the name of the Authority. Such notice, unless the Bonds are book entry Bonds, will be given by mailing a copy of such notice not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. Such notice will be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice, the Trustee will promptly certify to the Authority that it has mailed or caused to be mailed such notice to the registered owners of the Bonds to be redeemed in the manner provided in the Master Resolution. Such certificate will be conclusive evidence that such notice was given in the manner required by the Master Resolution. The failure of any Holder of a Bond to be redeemed to receive such notice will not affect the validity of the proceedings for the redemption of the Bonds. If the Bonds to be redeemed are book entry Bonds, the Trustee will mail a copy of the notice to the Depository not less than thirty-five (35) days prior to the redemption, but if notice of redemption is to be published as aforesaid, in no event later than five (5) Business Days prior to the date of publication.

Any notice of redemption, unless moneys will be received by the Trustee prior to giving such notice sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed, may state that such redemption will be conditional upon the receipt of such moneys by the Trustee by 1:00 P.M. (New York time) on the date fixed for redemption. If such moneys are not so received said notice will be of no force and effect, the Authority will not redeem such Bonds and

the Trustee will give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

(Section 4.05)

Payment of Redeemed Bonds

If, on the redemption date, moneys for the redemption of all Bonds or portions thereof of any like Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, will be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption will have been mailed as stated in the Master Resolution, then, from and after the redemption date, interest on the Bonds or portions thereof so called for redemption will cease to accrue and such Bonds will no longer be considered to be Outstanding under the Master Resolution. If such moneys will not be so available on the redemption date, such Bonds or portions thereof will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

(Section 4.06)

Pledge of Revenues

The proceeds from the sale of the Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues, and all funds authorized by the Master Resolution and established pursuant to an Applicable Series Resolution, other than the Applicable Arbitrage Rebate Fund, are pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Master Resolution and under any Series Resolution, all in accordance with the provisions of the Master Resolution and any Series Resolution. The pledge of the Revenues subject to the adoption of an Applicable Series Resolution will relate only to the Bonds of an Applicable Series authorized by such Series Resolution and no other Series of Bonds and such pledge will not secure any such other Series of Bonds. The pledge is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues, the Authority's security interest in the Applicable Pledged Revenues and the funds and accounts established by the Master Resolution and by any Series Resolution will immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge will be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds will be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues, the Authority's interest in the Applicable Pledged Revenues and the funds established by the Master Resolution and pursuant to the Applicable Series Resolution, which are pledged, such pledge will constitute a first lien thereon, subject only, with respect to such Applicable Pledged Revenues, to the Applicable Prior Pledges.

(Section 5.01)

Establishment of Funds

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established, held, and maintained for each Applicable Series by the Trustee under the Applicable Series Resolution separate from any other funds established and maintained pursuant to any other Series Resolution:

- Construction Fund;
- Debt Service Fund;
- Debt Service Reserve Fund;
- Building and Equipment Reserve Fund; and
- Arbitrage Rebate Fund.

Accounts and sub-accounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Resolution, an Applicable Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund created by the Master Resolution, other than the Applicable Arbitrage Rebate Fund, will be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but will nevertheless be disbursed, allocated and applied solely in connection with Applicable Series of Bonds for the uses and purposes provided in the Master Resolution.

(Section 5.02)

Application of Moneys in the Construction Fund

As soon as practicable after the delivery of each Series of Bonds, there will be deposited in the Applicable Construction Fund the amount required to be deposited therein pursuant to the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series. In addition, the Authority will deposit in the Applicable Construction Fund any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation, or improvement of any Project, including without limitation, the equity contribution, if any, provided by a BOCES. Except as otherwise provided in the Master Resolution, any Applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund will be used only to pay the Costs of Issuance of the Bonds and the Costs of the Applicable Project.

An Applicable Project will be deemed to be complete (a) upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of each applicable BOCES which certificate will be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to each applicable BOCES and the Trustee of a certificate of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate will state that such Project has been completed substantially in accordance with the Plans and Specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such BOCES, will specify the date of completion.

Upon receipt by the Trustee of the certificate required pursuant to the Master Resolution, the moneys, if any, then remaining in the Applicable Construction Fund, after making provision in accordance with the direction of the Authority for the payment of any Costs of Issuance of an Applicable Series of Bonds and Costs of an Applicable Project then unpaid, will be paid by the Trustee as follows and in the following order of priority:

First: To the Applicable Arbitrage Rebate Fund, the amount determined by the Authority to be required to be deposited therein;

Second: To the Applicable Debt Service Reserve Fund, such amount as will be necessary to make the amount on deposit in such fund equal to the Applicable Debt Service Reserve Fund Requirement; and

Third: To the Applicable Debt Service Fund, to be applied in accordance with the Master Resolution as summarized below under the heading "Debt Service Fund", any balance remaining.

Following the occurrence and during the continuation of an Event of Default under an Applicable Agreement, the Authority may, in its sole discretion, transfer moneys in the Applicable Construction Fund to the Trustee for application pursuant to the provisions of the Master Resolution as summarized below under the heading "Debt Service Fund".

(Section 5.04)

Deposit of Revenues and Allocation Thereof

The Applicable Revenues and any other moneys which, by any of the provisions of the Applicable Agreement, are required to be deposited in the Applicable Debt Service Fund, will upon receipt by the Trustee be deposited to the credit of the appropriate account in the Applicable Debt Service Fund. To the extent not required to pay, (a) the interest becoming due on Outstanding Bonds of the Applicable Series on the next succeeding interest payment date or dates of such Bonds to and including August 15; (b) the amount necessary to pay the principal and Sinking Fund Installments becoming due on the Applicable Series of Outstanding Bonds on such August 15; and (c) moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt Service Fund will be paid by the Trustee on or before the business day preceding each interest payment date as follows and in the following order of priority:

First: To reimburse, pro rata, each Facility Provider which has issued a Reserve Fund Facility which constitutes any part of the Applicable Debt Service Reserve Fund for moneys advanced thereunder, including interest thereon, in proportion to the respective amounts advanced by each such Facility Provider;

Second: To the Applicable Debt Service Reserve Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Applicable Debt Service Reserve Fund Requirement; and

Third: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Series for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Applicable Trustee and Paying Agents, all as required hereby, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Applicable Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Applicable Agreement or the Applicable BOCES Lease in accordance with the terms thereof, and (iii) any fees of the Authority; but only upon receipt by the Trustee of a certificate of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to this paragraph Third.

(Section 5.05)

Debt Service Fund

The Trustee will on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agent out of the Applicable Debt Service Fund:

(a) the interest due and payable on all Outstanding Bonds of the Applicable Series on such interest payment date;

(b) the principal amount due and payable on all Outstanding Bonds of the Applicable Series on such interest payment date; and

(c) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds of the Applicable Series on such interest payment date.

The amounts paid out pursuant to (a), (b) and (c) above will be irrevocably pledged to and applied to such payments.

Notwithstanding the above, the Authority may, at any time subsequent to the first day of any Bond Year but in no event less than forty five (45) days prior to the succeeding date on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment.

In the event that on the fourth Business Day preceding any interest payment date there are insufficient amounts in the Applicable Debt Service Fund, the Trustee is required to withdraw from the Debt Service Reserve Fund and deposit to the Applicable Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make the required payments from such fund.

Moneys in the Applicable Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds of the Applicable Series payable during the next succeeding Bond Year, the interest on Outstanding Bonds of the Applicable Series payable on and prior to the earlier of the next succeeding February 15 or August 15, and the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, will be paid or applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority (i) to the purchase of Outstanding Bonds of the Applicable Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued and unpaid interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority will direct or (ii) to the redemption of Bonds of the Applicable Series as provided in the Master Resolution, at the Redemption Prices specified in the Applicable Series Resolution or Applicable Bond Series Certificate.

(Section 5.07)

Debt Service Reserve Fund

The Trustee will deposit to the credit of the Applicable Debt Service Reserve Fund such proceeds of the sale of Bonds, if any, as will be prescribed in the Applicable Series Resolution authorizing the issuance of such Series of Bonds or the Applicable Bond Series Certificate relating to such Series. Moneys held for the credit of the Debt Service Reserve Fund are required to be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the provisions of the Master Resolution.

In lieu of or in substitution for moneys, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of an Applicable Series of the Bonds for all or any part of the Applicable Debt Service Reserve Requirement; provided, however, (i) that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in the highest rating category by a Rating Agency and (ii) that any such letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by a Rating Agency.

For any Series of Bonds issued on or after March 11, 2015, in lieu of or in substitution for moneys, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of the Holders of an Applicable Series of the Bonds for all or any part of the Applicable Debt Service Reserve Requirement; provided, however, (i) that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of such insurance company or association is rated in not less than the second highest rating category accorded by a nationally recognized insurance rating agency or (B) obligations insured by a surety bond or an insurance policy issued by such company or association are rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in not less than the second highest rating category by a Rating Agency and (ii) that any such letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by a Rating Agency.

In addition to the conditions and requirements set forth above, no Reserve Fund Facility shall be deposited in full or partial satisfaction of the Applicable Debt Service Reserve Fund Requirement unless the Trustee and each Applicable Facility Provider of an Applicable Reserve Fund Facility shall have received prior to such deposit (i) an opinion of counsel acceptable to the Trustee and to each such Facility Provider of a Reserve Fund Facility to the effect that such Reserve Fund Facility has been duly authorized, executed and delivered by the Facility Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Facility Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and to each Facility Provider and (iii) in the event such Reserve Fund Facility is a letter of credit, an opinion of counsel acceptable to the Trustee and to each Facility Provider of a Reserve Fund Facility substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority or the BOCES thereunder or under any applicable provisions of the Debtor and Creditor Law of the State.

Notwithstanding the foregoing, if at any time after a Reserve Fund Facility has been deposited with the Trustee the ratings on any Outstanding Bonds of the Applicable Series are less than (without regard to qualification of such rating by symbols such as “+” or “-”) the second highest rating category by a Rating Agency and the unsecured or uncollateralized long term debt of the Facility Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Facility Provider is reduced below (without regard to qualification of such rating by symbols such as “+” or “-”) A by a Rating Agency, the Authority shall either (i) replace or cause to be replaced said Reserve Fund Facility with another Reserve Fund Facility which satisfies the requirements of the two preceding paragraphs or (ii) deposit or cause to be deposited in the Applicable Debt Service Reserve Fund an amount of moneys equal to the value of the Reserve Fund Facility of such Facility Provider, such deposits to be, as nearly as practicable, in five equal annual installments commencing on September 1.

Each such surety bond, insurance policy or letter of credit shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Applicable Debt Service Reserve Fund and such withdrawal cannot be made without obtaining payment under such Reserve Fund Facility.

For the purposes of the Master Resolution, in computing the amount on deposit in the Applicable Debt Service Reserve Fund, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation; provided, however, that, if the unsecured or uncollateralized long term debt of the Facility Provider thereof, or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of said Facility Provider has been reduced below the ratings required by the Master Resolution, said Reserve Fund Facility shall be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of September 1's which have elapsed since such ratings were reduced and the denominator of which is ten.

The income or interest earned on investments in the Debt Service Reserve Fund will be withdrawn by the Trustee, as received, and deposited in the Applicable Arbitrage Rebate Fund, the Applicable Debt Service Fund, or the Applicable Construction Fund in accordance with such direction. If the value of the moneys and investments held for the credit of the Applicable Debt Service Reserve Fund exceeds the Applicable Debt Service Reserve Fund Requirement, such excess will, upon direction of an Authorized Officer of the Authority, be deposited in the Applicable Arbitrage Rebate Fund, the Debt Service Fund or the Applicable Construction Fund in accordance with such direction; provided, however, that if such amount results from the substitution of a Reserve Fund Facility for moneys or investments in the Applicable Debt Service Reserve Fund, such amount will not be deposited in the Applicable Debt Service Fund or the Applicable Construction Fund unless in the opinion of Co-Bond Counsel such application will not adversely affect the exclusion of interest on any of the Applicable Bonds from gross income for federal income tax purposes.

Notwithstanding the provisions above, if, upon a Bond having been deemed to have been paid in accordance with the section of the Master Resolution described below under the heading “Defeasance,” the moneys and investments held for the credit of the Applicable Debt Service Reserve Fund will exceed the Applicable Debt Service Reserve Fund Requirement, then the Trustee will withdraw all or any portion of such excess from the Applicable Debt Service Reserve Fund and either (i) apply such amount to the payment of the principal or Redemption Price of and interest on such Bond in accordance with the irrevocable instructions of the Authority or to fund any reserve for the payment of the principal and Sinking Fund Installments of or interest on the bonds, notes or other obligations, if any, issued to provide for the payment of such Bond or (ii) pay such amount to the Authority for deposit to the Applicable Construction Fund if, in the opinion of Co-Bond Counsel, application of such moneys to make the payment of Costs of the Project will not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes; provided, however, that after such withdrawal the amount remaining in the Applicable Debt Service Reserve Fund will not be less than the Applicable Debt Service Reserve Fund Requirement.

If the value of the moneys and investments held for the credit of the Applicable Debt Service Reserve Fund is less than the Applicable Debt Service Reserve Fund Requirement, the Trustee will immediately notify the Authority, the Applicable BOCES, and each Facility Provider, if any, of such deficiency. The amount of such deficiency will be included in the Basic Rent payable during the next succeeding Bond Year.

(Section 5.08)

Arbitrage Rebate Fund

The Trustee will deposit to the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Applicable BOCES for deposit therein and, notwithstanding any other provisions of the Master Resolution, will transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Master Resolution at such times and in such amounts as will be set forth in such directions.

Moneys on deposit in the Applicable Arbitrage Rebate Fund will be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority will determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated will first, be applied to reimburse, pro rata, each Facility Provider for moneys advanced under an Applicable Reserve Fund Facility, including interest thereon, which is then unpaid, in proportion to the respective amounts advanced by each such Facility Provider; and then be deposited to any fund or account established under the Master Resolution in accordance with the written direction of such Authorized Officer.

If and to the extent required by the Code, the Authority will periodically, at such times as may be required to comply with the Code, determine the amount required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (i) transfer or direct the Trustee to transfer from any other of the funds and accounts held under the Master Resolution and deposit to the Applicable Arbitrage Rebate Fund, such amount as the Authority will have determined to be necessary in order to enable it to comply with its obligation to rebate moneys to the Department of the Treasury of the United States of America with respect to each Applicable Series of Bonds and (ii) pay out of the Applicable Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.09)

Computation of Assets of Certain Funds

The Trustee, after the end of each calendar month, will compute the value of the assets in the Applicable Debt Service Reserve Fund on the last day of each such month, and notify the Authority, BOCES and each Applicable Facility Provider as to the results of such computation and the amount by which the value of the assets in the Applicable Debt Service Reserve Fund exceeds or is less than the Applicable Debt Service Reserve Fund Requirement.

(Section 5.12)

Security for Deposits

All moneys held under the Master Resolution by the Trustee will be continuously and fully secured, for the benefit of the Authority and the Holders of the Applicable Series of Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it will not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the sections of the Master Resolution described above under the heading “Debt Service Fund” and below under the heading “Defeasance,” and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which will be represented by obligations purchased or other investments made under the provisions of the Master Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

Moneys held under the Master Resolution, if permitted by law, will, as nearly as may be practicable, be invested in Government Obligations or Exempt Obligations; provided, however, that each such investment will permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Master Resolution. Moneys held under the Master Resolution by the Trustee will be invested by the Trustee upon the direction of an Authorized Officer of the Authority, given or confirmed in writing, which direction will specify the amount to be invested.

In lieu of the investments of moneys in obligations authorized in the Master Resolution, the Trustee will, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest moneys in the Applicable Debt Service Reserve Fund, and the Authority may, to the extent permitted by law, invest moneys in the Applicable Construction Fund, in (i) interest bearing time deposits, certificates of deposit or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations, with Qualified Financial Institutions; (ii) Exempt Obligations or (iii) Investment Agreements; provided, however, that (w) each such investment will permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Master Resolution, (x) all moneys in each such interest bearing time deposit, certificate of deposit or other similar investment arrangement will be continuously and fully secured by ownership of or a security interest in Government Obligations of a market value, determined by the Trustee or its agent not less frequently than monthly, equal to the amount deposited or invested including interest accrued thereon, (y) the obligations securing such interest bearing time deposit or certificate of deposit or which are the subject of such other similar investment arrangement will be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Government Obligations securing such time deposit or certificate of deposit or which are the subject of such other similar investment arrangement will be free and clear of claims of any other person.

Obligations purchased or other investments made as an investment of moneys in any fund or account held under the provisions of the Master Resolution will be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof will be credited or charged, as the case may be, to such fund or account.

In computing the amount in any fund or account held by the Trustee under the provisions of the Master Resolution, obligations purchased as an investment of moneys therein or held therein will be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in the Debt Service Reserve Fund will be valued at par or the cost thereof, including accrued interest, whichever is lower.

(Section 6.02)

Accounts and Audits

The Authority covenants to keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries will be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, will be subject to the inspection of the Trustee, BOCES or of any Holder of a Bond or his representative duly authorized in writing. The Trustee will annually prepare a report which will be furnished to the Authority, each Facility Provider, each Credit Facility Issuer, and the Applicable BOCES. Such report will include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Master Resolution and of each Applicable Series Resolution; a statement of the Applicable Revenues collected in connection with the Master Resolution and with each Applicable Series Resolution; a statement that the balances in the Applicable Debt Service Reserve Fund meet the requirements of the Master Resolution and of the Applicable Series Resolution; and complete and correct entries of all transactions relating to an Applicable Series of Bonds. A copy of such report, will, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond of the Applicable Series or any beneficial owner of a Book Entry Bond of the Applicable Series requesting the same.

(Section 7.05)

Creation of Liens

Except as permitted under the Master Resolution, the Authority covenants not to create or cause to be created any lien or charge prior or equal to that of the Bonds of an Applicable Series on the proceeds from the sale of the Bonds, the Applicable Revenues or the funds and accounts established by the Master Resolution or by any Applicable Series Resolution which are pledged by the Master Resolution; provided, however, that nothing contained in the Master Resolution will prevent the Authority from issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Master Resolution.

(Section 7.06)

Enforcement of Obligations of BOCES

The Authority covenants to take all legally available action to cause a BOCES to perform fully its obligation to pay Basic Rent and other amounts which under the Applicable Agreement are to be paid to the Trustee, in the manner and at the times provided in the Applicable Agreement.

(Section 7.07)

Amendment, Change, Modification or Waiver of Agreement or BOCES Lease

Neither an Applicable Agreement nor an Applicable BOCES Lease may be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of the Outstanding Bonds of the Applicable Series without the prior written consent of the Holders of at least a majority in aggregate principal amount of such Bonds then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any Applicable Series remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds of the Applicable Series under the Master Resolution; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds of such Series the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made by BOCES under the Applicable Agreement that is to be deposited with the Trustee or extend the time of payment thereof. Except as otherwise provided in the Master Resolution, an Agreement or a BOCES Lease may be amended, changed, modified, or altered without the consent of the Holders of Outstanding Bonds of the Applicable Series or the Trustee. Specifically, and without limiting the generality of the foregoing, an Agreement or a BOCES Lease may be amended, changed, modified or altered without the consent of the Trustee and the Holders of Outstanding Bonds of such Series (i) to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, the providing, furnishing and equipping of any facilities constituting a part of the Applicable Project or which may be added to such Project; (ii) to provide for the financing of additional Costs of the Project leased pursuant to such Applicable Agreement or the financing of Additional Projects for the Applicable BOCES through the issuance of an additional Series of Bonds (provided that such amendment provide for additional rent to be paid by the Applicable BOCES sufficient to pay such the debt service on such additional Series of Bonds and related costs and will further provide that the pledge of Pledged Revenues to secure such additional rent is subordinate to any pledge of Pledged Revenue previously made by such BOCES and that additional rent payable on a particular day may only be paid after the payment of the amounts to be paid by such BOCES on such date prior to such amendment); (iii) to provide for the issuance of Bonds of an Applicable Series; or (iv) to cure any ambiguity or correct or supplement any provisions contained in the Applicable Agreement or the Applicable BOCES Lease, as the case may be, which may be defective or inconsistent with any other provisions contained in the Master Resolution or in such Agreement or BOCES Lease.

An Applicable Series will be deemed to be adversely affected by an amendment, change, modification, or alteration of the Applicable Agreement or Applicable BOCES Lease if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of an Applicable Series would be adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination will be binding and conclusive on the Authority and all Holders of such Bonds.

The purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to an amendment, change, modification, termination or waiver permitted by the Master Resolution with the same effect as a consent given by the Holder of such Bonds.

(Section 7.10)

Notice as to Agreement Default

The Authority covenants to notify the Trustee in writing that an “event of default” under the Applicable Agreement, as such term is defined in the Applicable Agreement, has occurred and is continuing, which notice is required to be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Modification and Amendment without Consent of Holders

The Authority may adopt at any time or from time to time Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution will become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

(a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Master Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds of an Applicable Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Master Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Master Resolution;

(d) To confirm, as further assurance, any pledge under the Master Resolution or under the Applicable Series Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Master Resolution, of the Applicable Revenues, or any pledge of any other moneys, investments thereof or funds;

(e) To modify any of the provisions of the Master Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications will not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution will cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Resolution will contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Master Resolution or to insert such provisions clarifying matters or questions arising under the Master Resolution as are necessary or desirable, provided that any such modifications are not contrary to or inconsistent herewith as theretofore in effect, or to modify any of the provisions of the Master Resolution or of any previously adopted Applicable Series Resolution or Supplemental Resolution in any other respect, provided that such modification will not adversely affect the interests of the Bondholders of the Applicable Series in any material respect.

(Section 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Master Resolution will not be modified or amended in any respect except in accordance with and subject to the provisions of the Master Resolution. Nothing contained in the Master Resolution will affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Master Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the Master Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, will be accompanied by an opinion of Co-Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Master Resolution, is authorized or permitted by the Master Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms.

The Trustee is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Master Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee will be fully protected in relying on the opinion of Co-Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Master Resolution.

No Series Resolution or Supplemental Resolution changing, amending, or modifying any of the rights or obligations of the Trustee or of any Paying Agent will become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section 9.04)

Powers of Amendment

Any modification or amendment of the Master Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Master Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the section of the Master Resolution described below under the heading “Supplemental Resolutions Effective with Consent of Bondholders”, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the Applicable Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds described under this heading. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or will reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

(Section 10.01)

Supplemental Resolutions Effective with Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Master Resolution to take effect when and as provided in the Master Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, will promptly after adoption be mailed by the Authority to the Bondholders (but failure to mail such copy and request to any particular Bondholder will not affect the validity of the Supplemental Resolution when consented to as provided in the Master Resolution). Such Supplemental Resolution will not be effective unless and until (i) there will have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds specified in the section of the Master Resolution described above under the heading “Powers of Amendment” and (b) an opinion of Co-Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Master Resolution, is authorized or permitted by the Master Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice will have been mailed as provided in the Master Resolution. Each such consent will be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof will be such as is permitted by the Master Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Master Resolution will be conclusive proof that the consents have been given by the Holders of the Bonds described in the

certificate or certificates of the Trustee. Any consent given by a Bondholder will be binding upon the Bondholder giving such consent and, anything in the Master Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bond and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this paragraph provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds will have filed their consents to the Supplemental Resolution, the Trustee will make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement will be conclusive that such consents have been so filed. At any time thereafter a notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this paragraph, will be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds will have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice will not prevent such Supplemental Resolution from becoming effective and binding as in this paragraph provided). The Authority will file with the Trustee proof of the mailing of such notice, and, if the same will have been published, of the publication thereof.

For the purposes of the Master Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the sections of the Master Resolution described herein under the headings "Powers of Amendment" or "Modifications by Unanimous Consent" in the manner provided in the Master Resolution, except that no proof of ownership will be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto will be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Master Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Applicable Bonds then Outstanding, such consent to be given as provided in the Master Resolution, except that no notice to the Bondholders, either by mailing or by publication, will be required.

(Section 10.03)

Consent of Facility Provider

Whenever by the terms of the Master Resolution the consent of any of the Holders of the Bonds to a modification or amendment of the Master Resolution made by a Series Resolution or Supplemental Resolution is required, such modification or amendment will not become effective until the written consent of each Facility Provider has been obtained; provided, however, that the consent of a Facility Provider which has provided a Credit Facility or Liquidity Facility will not be required unless the modification or amendment requires the consent of the Holders of any percentage in principal amount of Outstanding Bonds or of the Holders of any percentage in principal amount of the Bonds of the Series in connection with which such Credit Facility or Liquidity Facility was provided. No modification or amendment of the Master Resolution which adversely affects a Facility Provider will be made without the written consent thereto of the Facility Provider affected thereby. Notice of the adoption of any such Series Resolution or Supplemental Resolution and of the effectiveness of the modification or amendment made thereby will be given to each Facility Provider by mail at the times and in the manner provided in the Master Resolution with respect to notices thereof required to be given to the Holders of the Bonds. Notice

thereof will also be given to each Rating Agency as soon as practical after adoption of such Supplemental Resolution and of the effectiveness thereof.

(Section 10.04)

Events of Default

Events of Default under the Master Resolution include: failure by the Authority to pay the principal, Sinking Fund Installments or Redemption Price of any Bond when the same will become due and payable; failure by the Authority to pay an installment of interest on any Bond when the same will become due and payable; the Authority defaults in the due and punctual performance of the tax covenants contained in the Series Resolution and, as a result thereof, the interest on the Bonds of a Series is no longer excludable from gross income under Section 103 of the Code (a “Taxability Default”); and default by the Authority in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Master Resolution or in the Bonds or in any Series Resolution on the part of the Authority to be performed and such default continues for thirty (30) days after written notice specifying such default and requiring same to be remedied has been given to the Authority by the Trustee, which may give such notice in its discretion and must give such notice at the written request of the Holders of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds, unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

(Section 11.02)

Enforcement of Remedies

Upon the happening and continuance of any Event of Default specified in the section of the Master Resolution described above under the heading “Events of Default”, then and in every such case, the Trustee may proceed, and upon the written request of the Facility Provider of a Reserve Fund Facility, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series or, in the case of a happening and continuance of a Taxability Default, upon the written request of the Holders of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series affected thereby, will proceed (upon receiving compensation, expenses and indemnity to its satisfaction), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Master Resolution or under any Applicable Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, as the Trustee deems most effectual to protect and enforce such rights.

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Master Resolution, or for any other remedy under the Master Resolution unless such Holder previously will have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds or, in the case of a Taxability Default, the Holders of not less than twenty five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, will have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, will have accrued, and will have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Master Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there will have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee will have refused or neglected to comply with such request within a reasonable time.

(Section 11.08)

Defeasance

If the Authority pays or causes to be paid to the Holders of Bonds of an Applicable Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the

Master Resolution, and in the Applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Bonds and all other rights granted by the Master Resolution to such Holders of Bonds will be discharged and satisfied.

Bonds for the payment or redemption of which moneys will have been set aside and will be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the paragraph above. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the paragraph above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority will have given to the Trustee, in form satisfactory to it, irrevocable instructions to give as provided in the Master Resolution notice of redemption on said date of such Bonds, (b) there has been deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (c) the Trustee has received the written consent of each Facility Provider which has given written notice to the Trustee and the Authority that amounts advanced under a Credit Facility, Liquidity Facility or Reserve Fund Facility issued by it or the interest thereon have not been repaid to such Facility Provider, and (d) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority has given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority will give written notice to the Trustee of its selection of the Series and maturity payment of which will be made in accordance with this paragraph. The Trustee will select the Bonds of like Series and maturity payment of which will be made in accordance with the Master Resolution. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Defeasance Securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided, however, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, must, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be.

(Section 12.01)

No Recourse under Master Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Master Resolution will be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity, and no recourse will be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on the Bonds or for any claims based thereon, on the Master Resolution or on a Series Resolution against any member, officer or employee of the Authority or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of Bonds by the acceptance of the Bonds.

(Section 14.04)

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FORM OF CONTINUING DISCLOSURE AGREEMENT

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FORM OF CONTINUING DISCLOSURE AGREEMENT

OHM BOCES will enter into a written agreement (the “Continuing Disclosure Agreement”) with Digital Assurance Certification LLC (“DAC”), as disclosure dissemination agent, the Trustee and DASNY. The Continuing Disclosure Agreement shall be in substantially the following form.

AGREEMENT TO PROVIDE CONTINUING DISCLOSURE

DORMITORY AUTHORITY OF THE STATE OF NEW YORK MASTER BOCES PROGRAM LEASE REFUNDING REVENUE BONDS ONEIDA, HERKIMER AND MADISON ISSUE, SERIES 2016

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the “Disclosure Agreement”), dated as of April 7, 2016, is executed and delivered by the Dormitory Authority of the State of New York (the “Issuer” or “DASNY”), The Board of Cooperative Educational Services of the Sole Supervisory District of Oneida, Herkimer and Madison Counties (the “Obligated Person”), The Bank of New York Mellon, as Trustee (the “Trustee”) and Digital Assurance Certification, L.L.C. (“DAC”), as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the parties hereto through use of the DAC system and are not intended to constitute “advice” within the meaning of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer, the Obligated Person or anyone on the Issuer’s or the Obligated Person’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Resolution (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Obligated Person for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event

notice, Failure to File Event notice or Voluntary Event Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Financial Disclosure, Notice Event notice, Failure to File Event notice or Voluntary Event Disclosure required to be or voluntarily submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Obligated Person and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Disclosure Dissemination Agreement” means that agreement, dated January 31, 2005, as amended to the date hereof, by and between the Disclosure Dissemination Agent and the Issuer pursuant to which disclosure dissemination services are to be provided by the Disclosure Dissemination Agent.

“Disclosure Representative” means the chief financial officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Obligated Person’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access System maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“Issuer” means the Dormitory Authority of the State of New York, as conduit issuer of the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the United States Securities Exchange Act of 1934, as amended.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer and the Obligated Person in connection with the Bonds, as listed on Exhibit A.

“Resolution” means DASNY’s bond resolution(s) pursuant to which the Bonds were issued.

“Trustee” means Bank of New York Mellon and its successors and assigns.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Obligated Person shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy each for the Issuer and the Trustee, not later than 180 days after the end of each fiscal year of the Obligated Person (or any time thereafter following a Failure to File Event as described in this Section), commencing with the fiscal year ending June 30, 2016, such date and each anniversary thereof, the “Annual Filing Date.” Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide the Annual Report to the MSRB through its Electronic Municipal Market Access (“EMMA”) System for municipal securities disclosures. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail), with a copy to the Issuer, to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall, not later than two (2) business days prior to the Annual Filing Date, either: (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Financial Information, Audited Financial Statements, if available, and unaudited financial statements, if audited financial statements are not available in accordance with subsection (d) below and the Certification, or (ii) instruct the Disclosure Dissemination Agent in writing, with a copy to the Issuer and the Trustee, that a Failure to File Event may occur, state the date by which the Annual Financial Information and Audited Financial Statements for such year are expected to be provided, and, at the election of the Obligated Person, instruct the Disclosure Dissemination Agent to send a notice to the MSRB in substantially the form attached as Exhibit B on the Annual Filing Date, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Obligated Person hereby irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Obligated Person are prepared but not available prior to the Annual Filing Date, the Obligated Person shall provide unaudited financial statements for filing prior to the Annual Filing Date in accordance with Section 3(b) hereof and, when the Audited Financial Statements are available,

provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy each for the Issuer and the Trustee, for filing with the MSRB.

- (e) The Disclosure Dissemination Agent shall:
 - (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
 - (ii) upon receipt, promptly file each Annual Report received under Section 2(a) and 2(b) with the MSRB;
 - (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
 - (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to the Section 4(c) of this Disclosure Agreement:
 - 1. Principal and interest payment delinquencies;
 - 2. Non-Payment related defaults, if material;
 - 3. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - 4. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - 5. Substitution of credit or liquidity providers, or their failure to perform;
 - 6. Adverse tax opinions, IRS notices or events affecting the tax status of the securities;
 - 7. Modifications to rights of securities holders, if material;
 - 8. Bond calls, if material;
 - 9. Defeasances;
 - 10. Release, substitution, or sale of property securing repayment of the securities, if material;
 - 11. Ratings changes;
 - 12. Tender offers;
 - 13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
 - 14. Merger, consolidation, or acquisition of the Obligated Person, if material; and
 - 15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
 - (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial

information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”
2. “change in obligated person;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer or the Obligated Person pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data;”

- (viii) provide the Obligated Person and the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Obligated Person may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, the Issuer, the Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

Each Annual Report shall contain:

(a) Annual Financial Information with respect to the Obligated Person which shall include operating data and financial information of the type included in the Official Statement for the Bonds in Part 5-OHM BOCES under the headings “Employees”; “Financial Information” (including all tables therein, together with a statement as to whether component school boards approved the most recent BOCES administrative budget); “Fiscal Stress Monitoring System” (if available); “Pension Payments;” and “GASB 45 and OPEB” unless such information is included in the Audited Financial Statements; together with (b) such narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of financial and operating data concerning the Participating BOCES together with a narrative explanation as may be necessary to avoid misunderstanding regarding the presentation of such Annual Financial Information concerning the Obligated Person; and

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) or alternate accounting principles as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, the Obligated Person shall be in compliance under this Disclosure Agreement if unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, are included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Obligated Person is an “obligated person” (as defined by the Rule), which have been previously filed the Securities and Exchange Commission or available from the MSRB Internet Website. If the document incorporated by reference is a Final Official Statement, it must be available from the MSRB. The Obligated Person will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information shall include an explanation, in narrative form, of such modifications.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;
7. Modification to rights of the security holders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Tender Offers;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

14. The consummation of a merger, consolidation or acquisition involving the Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify DASNY, the Trustee and the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Upon actual knowledge of the occurrence of a Notice Event, DASNY or the Trustee shall promptly notify the Obligated Person and also may notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the desired text of the disclosure, the written authorization for the Disclosure Dissemination Agent to disseminate such information, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer, the Obligated Person or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Issuer, the Obligated Person or the Disclosure Representative, such notified party will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer or the Obligated Person determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the Obligated Person desires to make, contain the written authorization of the Issuer or the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed as prescribed in subsection (a) or as prescribed in subsection (b) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers.

Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, Audited Financial Statements, Notice Event notices and Voluntary Event Disclosure Reports, the Obligated Person shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations.

The Obligated Person acknowledges and understands that other state and federal laws, including but not limited to the United States Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the United States Securities Exchange Act of 1934, as amended, may apply to the Obligated Person, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Obligated Person acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer or the Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer or Obligated Person desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the date the Issuer or Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer or Obligated Person, with the prior approval of DASNY, may instruct the Disclosure Dissemination Agent to file Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure

(which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the desired text of the disclosure, contain the written authorization for the Disclosure Dissemination Agent to disseminate such information, if applicable, and identify the desired date for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent may presume that the Obligated Person has obtained the prior approval of DASNY for such filing and shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that neither the Issuer nor the Obligated Person is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or to file any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Person, with the approval of DASNY, from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Section 7, or including any other information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Report, Failure to File Event notice or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement or to file Voluntary Event Disclosure or Voluntary Financial Disclosure, the Obligated Person shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Voluntary Financial Disclosure, Voluntary Event Disclosure, Failure to File Event Notice or Notice Event notice.

SECTION 8. Termination of Reporting Obligation.

The obligations of the Obligated Person and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Obligated Person is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent.

The Issuer has appointed DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement pursuant to the Disclosure Dissemination Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternatively, agrees to assume all responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default.

In the event of a failure of the Obligated Person or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the

contents described herein shall be limited to the extent the Issuer or the Obligated Person has provided such information to the Disclosure Dissemination Agent as provided in this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information, or any other information, disclosures or notices provided to it by the Issuer or the Obligated Person and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Obligated Person, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Obligated Person's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Issuer or the Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer or the Obligated Person at all times.

THE OBLIGATED PERSON AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT, THE ISSUER AND THE TRUSTEE AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITY WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LOSSES, EXPENSES AND LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AND THE TRUSTEE'S (AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS') NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of the Obligated Person under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the Obligated Person.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format through the EMMA System and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. No Issuer or Trustee Responsibility.

The Obligated Person and the Disclosure Dissemination Agent acknowledge that neither the Issuer nor the Trustee have undertaken any responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Disclosure Agreement other than those notices required under Section 4(b) hereof, and shall have no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures other than those notices required under said Section 4(b). DASNY (as conduit issuer) is not, for purposes of and within the meaning of the Rule, (i) committed by contract or other arrangement to support payment of all, or part of, the obligations on the Bonds, or (ii) a person for whom annual financial information and notices of material events will be provided. The Trustee shall be indemnified and held harmless in connection with this Agreement to the same extent provided in the Resolution for matters arising thereunder.

SECTION 13. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Agreement, the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Obligated Person, the Issuer, the Trustee and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or

waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided none of the Obligated Person, the Issuer, the Trustee or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, DASNY, the Obligated Person, the Trustee and the Disclosure Dissemination Agent shall have the right to amend this Disclosure Agreement for any of the following purposes:

(i) to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the Obligated Person, the Trustee or the Issuer and the assumption by any such successor of the covenants of the Obligated Person, the Trustee or the Issuer hereunder;

(iv) to add to the covenants of the Obligated Person, the Issuer or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person, the Issuer or the Disclosure Dissemination Agent;

(v) for any purpose for which, and subject to the conditions pursuant to which, amendments may be made under the Rule, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission.

SECTION 14. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Issuer, the Trustee, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law.

This Disclosure Agreement shall be governed by the laws of the State of New York (without regard to conflicts of laws provisions).

SECTION 16. Counterparts.

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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The Disclosure Dissemination Agent, the Issuer, the Trustee and the Obligated Person have caused this Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

**THE BOARD OF COOPERATIVE EDUCATIONAL
SERVICES OF THE SOLE SUPERVISORY DISTRICT
OF ONEIDA, HERKIMER AND MADISON COUNTIES,**
Obligated Person

By: _____
Name: _____
Title: _____

**DORMITORY AUTHORITY OF THE STATE OF NEW
YORK,**
Issuer

By: _____
Authorized Officer

THE BANK OF NEW YORK MELLON
as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): _____
Name of Bond Issue: _____
Date of Issuance: _____
Date of Official Statement: _____

Maturity

CUSIP No.

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Dormitory Authority of the State of New York
Obligated Person(s): _____
Name of Bond Issue: _____
Date of Issuance: _____

CUSIP Numbers:

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by the Agreement to Provide Continuing Disclosure, dated as of _____, by and among the Obligated Person, the Dormitory Authority of the State of New York, as Issuer, The Bank of New York Mellon, as Trustee and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Obligated Person has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Obligated Person

cc: Issuer
Obligated Person

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and Obligated Person's Names:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

_____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

**EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of June 5, 2015 by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer's and Obligated Person's Names:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party;"
10. _____ "derivative or other similar transaction;" and
11. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

**EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying “voluntary financial disclosure” will be sent to the MSRB, pursuant to the Continuing Disclosure Agreement dated as of June 5, 2015 by and among the Issuer, the Obligated Person, the Trustee and DAC.

Issuer’s and Obligated Person’s Names:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

Description of Voluntary Financial Disclosure (Check One):

1. _____ “quarterly/monthly financial information;”
2. _____ “change in fiscal year/timing of annual disclosure;”
3. _____ “change in accounting standard;”
4. _____ “interim/additional financial information/operating data;”
5. _____ “budget;”
6. _____ “investment/debt/financial policy;”
7. _____ “information provided to rating agency, credit/liquidity provider or other third party;”
8. _____ “consultant reports;” and
9. _____ “other financial/operating data.”

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

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**FORM OF APPROVING OPINION
OF CO-BOND COUNSEL**

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**FORM OF APPROVING OPINION OF CO-BOND COUNSEL
RELATING TO THE SERIES 2016 BONDS**

Upon delivery of the Series 2016 Bonds, Hodgson Russ LLP, Albany, New York and Golden Holley James LLP, New York, New York, Co-Bond Counsel to the Authority, propose to issue their respective approving opinions as to the Series 2016 Bonds in substantially the following form:

April 7, 2016

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

Re: \$24,535,000 Dormitory Authority of the State of New York Master BOCES Program
Lease Refunding Revenue Bonds (Oneida Herkimer Madison Issue), Series 2016

Ladies and Gentlemen:

We have acted as co-bond counsel to the Dormitory Authority of the State of New York (the “Authority”) in connection with the issuance by the Authority of \$24,535,000 aggregate principal amount of its Master BOCES Program Lease Refunding Revenue Bonds (Oneida Herkimer Madison Issue), Series 2016 (the “Series 2016 Bonds”). The Authority is a body corporate and politic of the State of New York (the “State”) constituting a public benefit corporation organized and existing under the laws of the State of New York, including the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Titles 4 and 4-B of Article 8 of the New York Public Authorities Law), as amended from time to time to the date hereof (hereinafter collectively called the “Act”).

The Series 2016 Bonds are authorized to be issued in accordance with the Act, and pursuant and subject to the terms and conditions of (a) the Authority’s Master BOCES Program Lease Revenue Bond Resolution, adopted on August 15, 2001, as amended and supplemented (the “Master Resolution”), (b) the Series Resolution Authorizing up to \$34,000,000 Master BOCES Program Lease Refunding Revenue Bonds (Oneida Herkimer Madison Issue), Series 2016, adopted by the Authority on February 10, 2016 (the “Series Resolution” and together with the Master Resolution, the “Resolutions”), and (c) the Bond Series Certificate relating to the Series 2016 Bonds executed and delivered concurrently with the issuance of the Series 2016 Bonds (the “Series 2016 Bond Series Certificate”). The Series 2016 Bonds were issued for the purposes set forth in the Resolutions. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into (a) an Amended and Restated Agreement of Lease, dated as of February 10, 2016 (the “BOCES Lease”), amending and restating the Agreement of Lease, dated as of July 23, 2008, between the Board of Cooperative Educational Services for the Sole Supervisory District of Oneida, Herkimer and Madison Counties (the “OHM BOCES”), as landlord, and the Authority, as tenant, whereby the OHM BOCES leased the Project to the Authority, (b) an Amended and Restated Lease and Agreement, dated as of February 10, 2016 (the “OHM Agreement”), amending and restating the Lease and Agreement, dated as of July 23, 2008, between the Authority, as sub-landlord, and the OHM BOCES, as sub-tenant, whereby the Authority subleased the Project to the OHM BOCES. Pursuant to the OHM Agreement, the OHM BOCES is required to make payments of Basic Rent (as defined in the OHM Agreement) sufficient to pay the principal, sinking fund installments, if any, and redemption price of and interest on the Series 2016 Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of the Series 2016 Bonds.

The Series 2016 Bonds are secured by, among other things, funds and accounts held under the Resolutions and a pledge of payments to be made under the OHM Agreement.

The Series 2016 Bonds are dated their date of delivery, mature on August 15 of the years and in the respective principal amounts, and bear interest, payable on February 15, 2017 and semiannually thereafter on February 15 and August 15 in each year, at the respective rates per annum, all as set forth in the Series 2016 Bond Series Certificate and in the Resolutions.

The Series 2016 Bonds are to be issued in fully registered form in denominations of \$5,000 at maturity or any integral multiple thereof. The Series 2016 Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Series 2016 Bond Series Certificate and in the Resolutions.

In rendering the opinions expressed herein, we have reviewed the Act, the Resolutions, the OHM Bond Series Certificate, the BOCES Lease, the OHM Agreement, the Tax Certificate and Agreement dated as of the date hereof (the "OHM Tax Certificate and Agreement") between the Authority and OHM BOCES in connection with the issuance of the Series 2016 Bonds, opinions of counsel to the Authority, the Trustee and OHM BOCES and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us and the accuracy of the factual matters represented, warranted or certified therein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2016 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and certificates, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the BOCES Lease, the OHM Agreement and the OHM Tax Certificate and Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes.

Any opinion concerning the validity, binding effect or enforceability of any document (A) means that (1) such document constitutes an effective contract under applicable law, (2) such document is not invalid in its entirety under applicable law because of a specific statutory prohibition or public policy and is not subject in its entirety to a contractual defense under applicable law and (3) subject to the following sentence, some remedy is available under applicable law if the person concerning whom such opinion is given is in material default under such document, but (B) does not mean that (1) any particular remedy is available under applicable law upon such material default or (2) every provision of such document will be upheld or enforced in any or each circumstance by a court applying applicable law. Furthermore, the validity, binding effect or enforceability of any document may be limited to or otherwise affected by (A) any applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other

similar statute, rule, regulation or other law affecting the enforcement of creditors' rights and remedies generally or (B) the unavailability of, or any limitation on the availability of, any particular right or remedy (whether in a proceeding in equity or law) because of the discretion of a court or because of any equitable principle or requirement as to commercial reasonableness, conscionability or good faith.

The Authority has covenanted in the Series Resolution and the OHM BOCES has covenanted in the OHM Agreement to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the OHM BOCES have made certain representations and certifications in their respective tax agreements relating to the Series 2016 Bonds. Bond Counsel will not independently verify the accuracy of those representations and certifications. The opinions set forth in paragraphs 6 and 7 below assume, among other matters, the accuracy of certain representations and certifications made by the Authority and the OHM BOCES described above and compliance with the aforementioned covenants and the requirements of the Code that must be satisfied subsequent to the issuance of the Series 2016 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, including covenants and requirements regarding use, expenditure of proceeds and timely payment of certain investment earnings to the United States Treasury. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2016 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2016 Bonds.

Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2016 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority has been duly created and is validly existing as a body corporate and politic constituting a public benefit corporation of the State of New York.

2. The Series 2016 Bonds have been duly and validly authorized to be issued and constitute the valid and binding special obligations of the Authority enforceable in accordance with their terms and the terms of the Resolutions, will be payable solely from the sources provided therefor in the Resolutions, and will be entitled to the benefit of the Resolutions and the Act.

3. The Resolutions are in full force and effect, have been duly adopted by, and constitute the valid and binding obligations of, the Authority. The Resolutions create a valid pledge, to secure the payment of the principal of and interest on the Series 2016 Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Series 2016 Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions (except the Arbitrage Rebate Fund), subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

4. The OHM Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by the OHM BOCES, constitutes the valid and binding agreement of the Authority in accordance with its terms.

5. The Series 2016 Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof is pledged to the payment of the

principal of or interest on the Series 2016 Bonds. The Series 2016 Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof

6. Under existing law, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Under existing law, interest on the Series 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; provided, however, that such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations and the branch profits tax imposed on foreign corporations doing business in the United States.

7. Interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers).

Except as stated in paragraphs 6 and 7 above, we express no opinion regarding any Federal, state or local tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016 Bonds. Further, we express no opinion as to any Federal, state or local tax law consequences with respect to the Series 2016 Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 Bonds or the proceeds thereof upon the advice or approval of other counsel. We render no opinion as to the exclusion from gross income of interest on the Series 2016 Bonds for purposes of federal income taxation on or after the date on which any change occurs or action is taken or omitted under the Resolutions, the OHM Agreement or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Hodgson Russ LLP and Golden Holley James LLP. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2016 Bonds may affect the tax status of interest on the Series 2016 Bonds. Further, although the interest is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2016 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Series 2016 Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Authority, and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the Institution delivered in connection with this matter.

In rendering those opinions with respect to treatment of the interest on the Series 2016 Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Authority and the Institution. Failure to comply with certain of those covenants subsequent to issuance of the Series 2016 Bonds may cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Series 2016 Bonds, the Resolutions or the OHM Agreement.

The opinions contained in paragraphs 2 through 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2016 Bonds and the OHM Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the authorization, execution and delivery of the BOCES Lease and the OHM Agreement by the OHM BOCES. We have assumed the due authorization, execution and delivery of the authorization, execution and delivery of the BOCES Lease and the OHM Agreement by the OHM BOCES.

We express no opinion in this letter as to the accuracy, completeness, fairness or sufficiency of the Official Statement relating to the Series 2016 Bonds, or any appendices thereto.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as co-bond counsel with respect to the Series 2016 Bonds has concluded on this date.

Very truly yours,

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