


\$18,980,000

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE BONDS
(ST. LAWRENCE-LEWIS ISSUE), SERIES 2020A**

Dated: Date of Delivery**Due: As shown on the inside cover**

Payment and Security: The Series 2020A 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 St. Lawrence and Lewis Counties ("SLL BOCES") pursuant to a Lease and Agreement, dated as of April 8, 2020 (the "Agreement") between DASNY and SLL 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 \$43,000,000 Master BOCES Program Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2020A, adopted April 8, 2020 (the "Series 2020A Resolution" and, together with the Master Resolution, the "Resolutions").

The Agreement, which is a general obligation of SLL BOCES, requires SLL BOCES to pay, or cause to be paid, amounts sufficient to pay the principal and Redemption Price of and interest on the Series 2020A 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 SLL 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 SLL BOCES an amount equal to the amount payable by SLL 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, SLL 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 SLL BOCES sufficient to pay such amounts (the "Pledged Revenues"). The Series 2020A Bonds will be secured by the pledge and assignment to the Trustee of the Basic Rent payments to be paid by SLL 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 SLL 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 2020A 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 2020A Bonds."

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

The Series 2020A 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 2020A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due February 15, 2021, August 15, 2021 and each February 15th and August 15th thereafter) on the Series 2020A 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 2020A 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 2020A Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2020A Bonds, payments of the principal and Redemption Price of and interest on the Series 2020A 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 2020A Bonds – Book-Entry Only System" herein.

Redemption: The Series 2020A Bonds are subject to redemption prior to maturity as more fully described herein.

Tax Matters: In the opinion of Bryant Rabbino LLP, Bond Counsel to DASNY, under existing law and assuming continuing compliance by DASNY and SLL BOCES with certain tax covenants described herein, and the accuracy and completeness of certain representations and certifications made by DASNY and SLL BOCES described herein, (i) interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Series 2020A Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax under the Code. In addition, Bond Counsel is of the opinion that under the existing law interest on the Series 2020A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York. See "PART 11 – TAX MATTERS" herein regarding certain other tax considerations.

The Series 2020A Bonds are offered when, as and if issued and received by the Underwriter. The offer of the Series 2020A 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 Bond Counsel, Bryant Rabbino LLP, New York, New York, and to certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Trespasz & Marquardt, LLP, Syracuse, New York and for SLL BOCES by its counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. DASNY expects to deliver the Series 2020A Bonds in definitive form in New York, New York, on or about July 17, 2020.

Roosevelt & Cross Incorporated

\$18,980,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE BONDS
(ST. LAWRENCE-LEWIS ISSUE), SERIES 2020A

Maturity Date	Amount	Rate	Yield	CUSIP ⁽¹⁾
8/15/2021	\$445,000	5.000%	0.480%	64990G V58
8/15/2022	530,000	5.000	0.550	64990G V66
8/15/2023	555,000	5.000	0.600	64990G V74
8/15/2024	585,000	5.000	0.700	64990G V82
8/15/2025	615,000	5.000	0.830	64990G V90
8/15/2026	645,000	5.000	1.020	64990G W24
8/15/2027	680,000	5.000	1.150	64990G W32
8/15/2028	760,000	5.000	1.250	64990G W40
8/15/2029	800,000	5.000	1.350*	64990G W57
8/15/2030	840,000	5.000	1.450*	64990G W65
8/15/2031	880,000	4.000	1.720*	64990G W73
8/15/2032	915,000	4.000	1.850*	64990G W81
8/15/2033	950,000	4.000	2.000*	64990G W99
8/15/2034	990,000	4.000	2.090*	64990G X23
8/15/2035	1,030,000	4.000	2.140*	64990G X31

\$7,760,000 4.00% Term Bond Due August 15, 2042 Yield 2.480%* CUSIP Number 64990G X49 ⁽¹⁾

* Priced at the stated yield to the first optional call date of August 15, 2028.

- (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 2020A 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 2020A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2020A 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 2020A Bonds.

No dealer, broker, salesperson or other person has been authorized by DASNY, SLL BOCES or the Underwriter to give any information or to make any representations with respect to the Series 2020A 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, SLL 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 2020A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein relating to DASNY under the heading "DASNY" has been obtained from DASNY. All other information herein has been obtained by the Underwriter or from SLL BOCES and other sources deemed to be reliable by the Underwriter and is not to be construed as a representation by DASNY or the Underwriter. In addition, DASNY does not warrant the accuracy of the statements contained herein relating to SLL BOCES nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of SLL BOCES, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds.

Certain information in this Official Statement has been supplied by SLL 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.

SLL BOCES has reviewed the information in this Official Statement under the headings "PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES," "PART 5 – SLL BOCES," "PART 6 – THE PROJECT," and "PART 7 – ESTIMATED SOURCES AND USES OF FUNDS." SLL BOCES shall certify as of the dates of sale and delivery of the Series 2020A Bonds that such parts do not contain any untrue statement 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. SLL BOCES makes 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 SLL 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 2020A Bonds that such parts do not contain any untrue statement 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 SLL BOCES have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2020A Bonds, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2020A 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.

TABLE OF CONTENTS

<u>Part</u>	<u>Page</u>	<u>Part</u>	<u>Page</u>
PART 1 – INTRODUCTION	1	Pension Payments	19
Purpose of the Official Statement	1	Other Post-Employment Benefits.....	19
Purpose of the Issue.....	1	PART 5 – SLL BOCES	20
Authorization of Issuance	1	PART 6 – THE PROJECT	34
DASNY	2	PART 7 – ESTIMATED SOURCES AND USES OF FUNDS	35
SLL BOCES	2	PART 8 – DASNY	35
The Series 2020A Bonds.....	2	PART 9 – LEGALITY OF THE SERIES 2020A BONDS FOR	
Payment of the Series 2020A Bonds	3	INVESTMENT AND DEPOSIT	40
Security for the Series 2020A Bonds.....	3	PART 10 – NEGOTIABLE INSTRUMENTS	40
The Project	3	PART 11 – TAX MATTERS.....	40
PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE		PART 12 – STATE NOT LIABLE ON THE SERIES 2020A	
SERIES 2020A BONDS.....	4	BONDS.....	43
Payment of the Series 2020A Bonds	4	PART 13 – COVENANT BY THE STATE	43
Direct Payment by State Comptroller.....	4	PART 14 – LEGAL MATTERS	43
Tax Levy Limitation Law	5	PART 15 – UNDERWRITING.....	43
Security for the Series 2020A Bonds.....	7	PART 16 – CONTINUING DISCLOSURE.....	44
Lease Payments	7	PART 17 – RATINGS.....	44
Pledge and Assignment of State Aid	7	PART 18 – SOURCES OF INFORMATION AND	
Debt Service Reserve Fund.....	8	CERTIFICATIONS	44
Issuance of Additional Bonds	8		
Defaults and Remedies under the Agreement.....	9	APPENDIX A – DEFINITIONS	A-1
Defaults and Remedies under the Master Resolution.....	9	APPENDIX B – FINANCIAL STATEMENTS OF SLL BOCES FOR THE	
PART 3 – THE SERIES 2020A BONDS.....	9	YEAR ENDED JUNE 30, 2019	B-1
Description of the Series 2020A Bonds.....	9	APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE	
Redemption Provisions	10	LEASE AND AGREEMENT.....	C-1
Book-Entry Only System.....	12	APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE	
Debt Service Requirements.....	15	MASTER RESOLUTION	D-1
PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL		APPENDIX E – FORM OF CONTINUING DISCLOSURE	
SERVICES.....	15	AGREEMENT	E-1
General Description of BOCES	16	APPENDIX F – FORM OF APPROVING OPINION OF BOND	
State Aid to BOCES.....	17	COUNSEL	F-1
State Appropriations.....	18		
Obligations of Component School Districts	19		

[THIS PAGE INTENTIONALLY LEFT BLANK]



DORMITORY AUTHORITY – STATE OF NEW YORK
REUBEN R. McDANIEL, III – PRESIDENT

515 BROADWAY ALBANY, N.Y. 12207
ALFONSO L. CARNEY, JR., ESQ. – CHAIR

OFFICIAL STATEMENT RELATING TO
\$18,980,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE BONDS
(ST. LAWRENCE-LEWIS ISSUE), SERIES 2020A

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 Services for the Sole Supervisory District of St. Lawrence and Lewis Counties (the “SLL BOCES”) in connection with the offering by DASNY of \$18,980,000 aggregate principal amount of the Master BOCES Program Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2020A (the “Series 2020A Bonds”).

The following is a description of certain information concerning SLL BOCES, the Series 2020A Bonds, DASNY and the Project (as hereafter described). A more complete description of such information and additional information that may affect decisions to invest in the Series 2020A 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 2020A Bonds are being issued and proceeds thereof will be used together with other available moneys to (i) pay a portion of the Costs of the Project; (ii) make a deposit to the Debt Service Reserve Fund; and (iii) pay the Costs of Issuance of the Series 2020A Bonds. See “PART 6 – THE PROJECT” and “PART 7 – ESTIMATED SOURCES AND USES OF FUNDS.” DASNY anticipates issuing additional bonds on behalf of SLL BOCES in the third or fourth quarter of calendar year 2020 or in 2021 the proceeds of which are to be used to finance the remaining portion of the costs of the Master Project (as defined herein), among other uses (the “Series 2020B Bonds”). The aggregate amount of Series 2020A Bonds and Series 2020B Bonds that DASNY is authorized to issue in connection with the Project is \$43,000,000.

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, SLL BOCES will lease certain property in connection with the Project to DASNY pursuant to an Agreement of Lease dated as of April 8, 2020 (the “Agreement of Lease” or the “BOCES Lease”), and DASNY will sublease the Project back to SLL BOCES pursuant to a Lease and Agreement dated as of April 8, 2020 (the “Agreement”).

The Series 2020A Bonds will be issued pursuant to the Act, the Master Resolution and the Series 2020A Resolution. The Master Resolution and the Series 2020A 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.

Subsequent to the issuance of the Series 2020A Bonds, DASNY expects to issue the Series 2020B Bonds, which will be issued pursuant to the Act, the Master Resolution and DASNY’s Series Resolution authorizing up to \$43,000,000 Master BOCES Program Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2020B, adopted April 8, 2020 (the “Series 2020B Resolution”). The aggregate amount of bonds issuable under the Series 2020A Resolution and the Series 2020B Resolution is \$43,000,000.

In 2011, DASNY issued \$6,800,000 of its Master BOCES Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2011 (the “Series 2011 Bonds”). The Series 2011 Bonds were issued to finance the acquisition of an approximately 69,966 square foot office building located on a 5.56 acre parcel of land at 40 West Main Street, Canton, New York for use as a primary administrative office building for SLL BOCES.

In 2015, DASNY issued its Master BOCES Lease Refunding Revenue Bonds (St. Lawrence-Lewis Issue), Series 2015 (the “Series 2015 Bonds”) to advance refund DASNY’s Master BOCES Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2007 (the “Series 2007 Bonds”). All of the outstanding Series 2007 Bonds were defeased on June 5, 2015. The Series 2007 Bonds were issued to (i) pay costs of a capital reconstruction project and (ii) pay all or a portion of the costs of issuance of the Series 2007 Bonds, including the payment of the premium for the reserve fund facility and payment of the premium for the municipal bond insurance policy. The project consisted of repairs, renovations and alterations to SLL BOCES’ Southwest Tech, Seaway Tech and Northwest Tech campuses.

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.”

SLL BOCES

SLL BOCES was established in the early 1950s and provides shared services to 18 school districts in St. Lawrence and Lewis Counties, New York that together have approximately 15,133 students. The SLL 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, BOCES programs generally offer advantages to school districts of specialization and economy of scale. SLL BOCES is one of 37 BOCES in New York State. The financial statements of SLL BOCES for the fiscal year ended June 30, 2019 are set forth in Appendix B hereto. See “PART 5 – SLL BOCES.”

The Series 2020A Bonds

The Series 2020A Bonds will be dated and bear interest from their delivery date, payable each February 15 and August 15, commencing February 15, 2021. The Series 2020A Bonds will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement. See “PART 3 – THE SERIES 2020A BONDS – Description of the Series 2020A Bonds.”

Payment of the Series 2020A Bonds

The Series 2020A Bonds are special obligations of DASNY payable solely from the Basic Rent payments to be made by SLL 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 SLL BOCES an amount equal to the amount payable by SLL 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 SLL 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 2020A 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 2020A BONDS."

SLL BOCES has no power to levy and collect taxes. The component school districts of SLL 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 SLL 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 2020A Bonds

The Series 2020A 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 2020A Bonds (until disbursed as provided by the Master Resolution) and all funds and accounts authorized by the Master Resolution and established by the Series 2020A Resolution (with the exception of the Arbitrage Rebate Fund), which include a separate Debt Service Reserve Fund for the Series 2020A Bonds. The Agreement requires SLL 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, SLL BOCES will assign and pledge to DASNY a portion of any and all public funds apportioned by the State to SLL 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 Series 2020A Bonds are the fourth series of Bonds issued for SLL BOCES under the Master Resolution. The Series 2020A Bonds will be paid on a subordinate basis to the Series 2011 Bonds and the Series 2015 Bonds, which were the second and third series, respectively, of Bonds issued for SLL BOCES under the Master Resolution. The Series 2007 Bonds, the first series of Bonds issued under the Master Resolution for SLL BOCES, were defeased in full on June 5, 2015.

The Project

The Project consists of Phase 1 of the Master Project, which consists of the construction, renovation, repair and/or equipping of various facilities of SLL BOCES, including the Seaway Career and Technical Education Center, the Southwest Career and Technical Education Center, and the Northwest Career and Technical Education Center (the "Project"). Phase 2 of the Master Project will be financed by the Series 2020B Bonds. See "PART 6 – THE PROJECT."

PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS

Set forth below is a narrative description of certain contractual and statutory provisions relating to the sources of payment and security for the Bonds, including the Series 2020A 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 Resolutions, the Agreement and the Agreement of Lease for a more complete description of such provisions. Copies of the Resolutions, 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 2020A Bonds

The Series 2020A Bonds are special obligations of DASNY. The principal and Redemption Price of and interest on Series 2020A Bonds are payable solely from the Revenues. The Revenues applicable to the Series 2020A Bonds consist of the Basic Rent required to be paid by SLL BOCES under the Agreement on account of the principal of and Redemption Price of and interest on the Series 2020A 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 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 2020A Bonds.

SLL BOCES is to assign and pledge to DASNY a portion of any and all public funds payable by the State to SLL BOCES in an amount sufficient to pay all Rentals due under the Agreement. State aid is normally paid to SLL 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 from any State funds to become due to SLL BOCES an amount equal to the amount payable by SLL BOCES to DASNY under the Agreement for the ensuing school year and pay such amount to DASNY. It is expected that the September 1 payment of State aid to SLL 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 2020A 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, SLL BOCES would be required to make such payment (with amounts paid later by the State or with other monies of SLL 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 2020A Bonds is to be paid to the Trustee on or about September 1 of each year commencing on September 1, 2020 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 2020A Bonds, is equal to the interest and principal coming due on the next succeeding February 15 and August 15 for the Series 2020A 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 SLL BOCES. The Commissioner is then required by law to certify to the State Comptroller the amount of State aid payable to SLL BOCES and the amount to be paid by SLL 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 SLL BOCES and pay it to or upon the order of DASNY.

The State is not legally obligated to appropriate any moneys for the purpose of providing State aid or assistance to SLL 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 2020A Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature.

SLL BOCES has no power to levy and collect taxes. The component school districts of SLL 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 SLL 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 2020A 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 SLL BOCES exceeded the expected amount due on the Series 2020A Bonds to be issued by DASNY for the benefit of SLL BOCES. However, in the event that the amount of state aid due to SLL BOCES in a particular calendar year (subject to intercept by the Comptroller) is less than the amount that SLL BOCES owes DASNY in that calendar year, the component school districts of SLL BOCES will be obligated to levy taxes to pay their allocable share of SLL 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 ("Chapter 97" or the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers.) While SLL BOCES does not have the power to levy property taxes, the Component School Districts upon which it relies for payments do.

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, the 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").

Chapter 97 requires that a school district submit its proposed tax levy to the voters each year, which requirement commenced with the 2012-2013 fiscal year.

Chapter 97 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 was set to expire on June 15, 2020; however, recent legislation has made it permanent. 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 would be 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 could 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 this is an exclusion from the tax levy limitation.

Pursuant to regulations adopted by the New York State Department of Taxation and Finance effective March 17, 2020, beginning in the 2020 - 2021 school year and each school year thereafter, Capital Local Expenditures that may be excluded from the tax levy limitation include a school district's allowable share of BOCES capital expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of, or otherwise providing for school district/BOCES capital facilities, school district/BOCES 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, subject to certain requirements set forth in the regulations. As a result of the new regulations, Basic Rent payable by SLL BOCES under the Agreement, which is to be applied to pay debt service on the Series 2020A Bonds, may be considered a Capital Local Expenditure for SLL BOCES' component school districts that is excluded from the school districts' tax levy limitation.

On February 20, 2013, the New York State United Teachers ("NYSUT") organization filed a lawsuit against the State challenging the Tax Levy Limitation Law as applied to school districts on multiple federal and state constitutional grounds. 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. After the ruling, NYSUT amended its complaint to include a challenge to the Real Property Tax Rebate, also on federal and state constitutional grounds. On March 16, 2015, all causes of action contained in the amended complaint were dismissed. NYSUT has stated that the organization will appeal the decision; therefore, the ultimate outcome of this litigation cannot be determined at this time.

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 ("Chapter 59"), a recently adopted State budget bill includes 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 became 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 became 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 were required to comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government were required to 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 SLL BOCES are uncertain at this time.

Security for the Series 2020A Bonds

The Series 2020A Bonds will be secured by the pledge and assignment to the Trustee of the Basic Rent, the proceeds from the sale of the Series 2020A Bonds (until disbursed as provided by the Master Resolution and the Series Resolution) and all funds and accounts authorized by the Master Resolution and established by the Series Resolution (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. The Series 2020A Bonds will be paid on a subordinate basis to the Series 2011 Bonds and the Series 2015 Bonds, which were the second and third series, respectively, of Bonds issued for SLL BOCES under the Master Resolution. The Series 2007 Bonds, the first series of Bonds issued under the Master Resolution for SLL BOCES, were defeased in full on June 5, 2015. Pursuant to the terms of the Resolutions, the funds and accounts established by the Series 2020A Resolution secure only the Series 2020A Bonds and do not secure any other Series of Bonds issued under the Master Resolution. The Series 2020A Bonds are the fourth series of Bonds issued for SLL BOCES under the Master Resolution. The only Outstanding Bonds following the issuance of the Series 2020A Bonds will be the Series 2011 Bonds, the Series 2015 Bonds and the Series 2020A Bonds. The Series 2020A Bonds will be paid and secured on a subordinate basis to the Series 2011 Bonds and the Series 2015 Bonds. If and when issued, the Series 2020B Bonds will be the fifth series of Bonds issued for SLL BOCES under the Master Resolution. If and when issued, the Series 2020B Bonds will be subordinate to the Series 2011 Bonds, the Series 2015 Bonds and the Series 2020A Bonds in that order of priority. See “Issuance of Additional Bonds” herein.

Lease Payments

Consistent with the Act, SLL 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 SLL BOCES pursuant to the Agreement. No Series 2020A Bonds are secured by any real estate interest in a Project. The Agreement is a general obligation of SLL BOCES. SLL 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 2020A 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 2020A 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 other than the lien or charge created in connection with the Series 2011 Bonds and the Series 2015 Bonds.

Pledge and Assignment of State Aid

As additional security for the payment of the Rentals, including Basic Rent, to DASNY, SLL BOCES will pledge and assign to DASNY, a portion of any and all public funds payable by the State to SLL BOCES in an amount sufficient to pay such Rentals. SLL 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 2020A Bonds have been paid or otherwise discharged. None of the public funds pledged by SLL BOCES is to be applied to pay Rentals payable by any other BOCES.

Such pledge and assignment is subordinate to the pledge and assignment made by SLL BOCES in order to secure the Series 2011 Bonds and the Series 2015 Bonds, if any shall remain Outstanding. As a result, any State aid payable to SLL BOCES and received by the Trustee shall be applied first to the payments to be made by SLL BOCES on Outstanding Series 2011 Bonds, then to the payments to be made by SLL BOCES on Outstanding Series 2015 Bonds and then to the payments to be made by SLL BOCES for the Series 2020A Bonds. See “PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES – State Aid to BOCES.”

Debt Service Reserve Fund

The Master Resolution requires that the Debt Service Reserve Fund with respect to Series 2020A Bonds be maintained at its applicable requirement, which is an amount, with respect to Series 2020A 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 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 \$691,700. The Series 2020A Debt Service Reserve Requirement 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 for the benefit of the Series of the Series 2020A Bonds for all of the Debt Service Reserve Requirement. Upon the issuance of the Series 2020A Bonds, SLL BOCES will cause Build America Mutual Assurance Company to issue a Municipal Bond Debt Service Reserve Insurance Policy in order to satisfy the Debt Service Reserve Requirement relating to the Series 2020A Bonds.

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 Outstanding Series 2020A 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 requirement is to be included in the Basic Rent. Moneys in the Debt Service Reserve Fund in excess of its requirement may be deposited in other funds and accounts for the Series 2020A Bonds and applied by the Trustee in accordance with the Master Resolution. See “Appendix D – Summary of Certain Provisions of the Master Resolution.”

Issuance of Additional Bonds

In addition to the Series 2020A Bonds, the Master Resolution authorizes the issuance of other Series of Bonds for SLL BOCES and other BOCES for other specified purposes. The Series 2020A 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 SLL BOCES would be paid and secured on a subordinate basis to the Series 2020A Bonds unless otherwise consented to by a majority of the holders of the Series 2020A Bonds. Therefore, to the extent Pledged Revenues or SLL BOCES payments of Basic Rent were insufficient to pay for the Outstanding Series 2011 Bonds, the Outstanding Series 2015 Bonds, the Outstanding Series 2020A Bonds and such additional Bonds, amounts would be applied first to pay the Outstanding Series 2011 Bonds, second to pay the Outstanding Series 2015 Bonds, third to pay the Outstanding Series 2020A Bonds and then such additional Bonds.

DASNY anticipates issuing the Series 2020B Bonds on behalf of SLL BOCES in the third or fourth quarter of calendar year 2020 or in 2021 the proceeds of which are to be used to finance Phase 2 of the Master Project, among other uses. The aggregate amount of Series 2020A Bonds and Series 2020B Bonds that DASNY is authorized to issue in connection with the Master Project is \$43,000,000. If and when issued, the Series 2020B Bonds will be subordinate to the Series 2011 Bonds, the Series 2015 Bonds and the Series 2020A Bonds, in that order of priority.

The Series 2020A 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 SLL 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 SLL 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 Master Resolution and the Series 2020A Resolution include: (i) the failure to pay principal, Sinking Fund Installments, if any, or Redemption Price of, and interest on the Series of the Series 2020A Bonds when due; (ii) the failure to comply with the provisions of the Code applicable to the Series 2020A 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 2020A 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, Agreement and provisions contained in the Master Resolution, the Series Resolution or in the Series 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A Bonds, with interest on overdue payments of the principal of or interest on the Series 2020A 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 2020A Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Series 2020A Bonds and to recover and enforce a judgment or decree against DASNY but solely as provided in the Resolutions and in such Series 2020A 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 2020A BONDS

Description of the Series 2020A Bonds

The Series 2020A Bonds will be issued pursuant to the Master Resolution, 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 2020A Bonds will be issued as fully registered bonds. The Series 2020A Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2020A 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 2020A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2020A Bonds, the Series 2020A Bonds will be exchangeable for other fully registered Series 2020A 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 Master Resolution. See "Book Entry Only System" herein and "Appendix D – Summary of Certain Provisions of the Master Resolution."

Interest on the Series 2020A 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 2020A 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 2020A Bonds of such Series by wire transfer to the Holder of such Series 2020A 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 2020A 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 2020A 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 2020A Bonds, see "Appendix D – Summary of Certain Provisions of the Master Resolution."

Redemption Provisions

Optional Redemption

The Series 2020A Bonds maturing on or before August 15, 2028 are not subject to optional redemption prior to maturity. The Series 2020A Bonds maturing after August 15, 2028 are subject to redemption prior to maturity on or after August 15, 2028 in any order (a) from amounts in the Debt Service Fund in excess of moneys required to pay interest, principal and Sinking Fund Installments 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 2020A 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 proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Project or upon the abandonment of the Project due to a legal or regulatory impediment.

Mandatory Redemption

The Series 2020A Bonds of certain maturities are subject to redemption, in part, through application of Sinking Fund Installments at a Redemption Price equal to 100% of the principal amount of Series 2020A Bonds to be redeemed, plus accrued interest to the date of redemption. Unless none of the Series 2020A Bonds of a maturity to be so redeemed are then Outstanding and, subject to the provisions of the Series 2020A Resolution permitting amounts to be credited to part or all of any one or more Sinking Fund Installments, there shall be due and DASNY shall be required to pay for the retirement of the Series 2020A Bonds maturing on August 15 of each of the years set forth in the following tables, the amount set forth opposite such year:

Series 2020A Bonds Maturing August 15, 2042[†]

8/15/2036	\$1,070,000
8/15/2037	1,115,000
8/15/2038	1,160,000
8/15/2039	1,205,000
8/15/2040	1,255,000
8/15/2041	1,305,000
8/15/2042	650,000

[†] Final Maturity

There will be credited against and in satisfaction of the Sinking Fund Installment payable on any date, the principal amount of Series 2020A Bonds entitled to such Sinking Fund Installment (A) purchased with moneys in the Debt Service Fund pursuant to the Resolutions, (B) redeemed at the option of DASNY, (C) purchased by SLL BOCES or DASNY and delivered to the Trustee for cancellation or (D) deemed to have been paid in accordance with the Resolutions. Series 2020A Bonds purchased with moneys in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2020A Bonds so purchased payable on the next succeeding August 15. Series 2020A Bonds redeemed at the option of DASNY, purchased by DASNY or SLL BOCES (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolutions will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as DASNY may direct in its discretion. To the extent DASNY's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2020A Bonds of the maturity so purchased will be reduced for such year.

Selection of Bonds to be Redeemed

In the case of redemptions of less than all of the Series 2020A Bonds other than through mandatory Sinking Fund Installments, DASNY will select the maturities to be redeemed. If less than all Series 2020A Bonds within a maturity are to be redeemed, as long as the Series 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2020A Bonds will no longer be considered to be Outstanding.

Purchase in Lieu of Optional Redemption

The Series 2020A Bonds maturing on or before August 15, 2028 are not subject to purchase in lieu of optional redemption prior to maturity. The Series 2020A Bonds maturing after August 15, 2028, are subject to purchase in lieu of optional redemption prior to maturity on or after August 15, 2028, at the option of SLL BOCES with the prior written consent 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 2020A Bonds will be given in the name of SLL BOCES to the registered owners of the Series 2020A 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 2020A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2020A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. If the Series 2020A 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 2020A Bonds. Such Series 2020A Bonds need not be cancelled, and will remain Outstanding under the Resolutions and continue to bear interest. SLL BOCES’ obligation to purchase a Series 2020A 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 2020A 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 2020A Bonds to be purchased, the former registered owners of such Series 2020A 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 2020A 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 2020A Bonds in accordance with their respective terms. If not all of the Outstanding Series 2020A Bonds are to be purchased, the Series 2020A Bonds to be purchased will be selected by lot in the same manner as Series 2020A 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 2020A 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 2020A 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 2020A Bonds. The Series 2020A 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 2020A Bond certificate will be issued for each maturity of the Series 2020A 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 2020A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2020A 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 2020A 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 2020A Bonds, except in the event that use of the book-entry system for the Series 2020A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020A 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 2020A 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 2020A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, and interest on, the Series 2020A Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2020A 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 2020A 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 2020A 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 2020A 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, Series 2020A 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, Series 2020A 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 2020A 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 2020A BONDS.**

So long as Cede & Co. is the registered owner of the Series 2020A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2020A 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 2020A 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 2020A 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 2020A Bonds if DASNY determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2020A Bonds or (ii) a continuation of the requirement that all of the Outstanding Series 2020A 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 2020A Bond certificates will be delivered as described in the Resolutions and the Bond Series Certificate.

NEITHER DASNY, SLL 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 2020A 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 2020A 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 2020A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2020A BONDS; OR (VI) ANY OTHER MATTER.

Debt Service Requirements

The following table sets forth the amounts required to be paid by SLL BOCES during each twelve-month period ending August 15 of the Bond Years shown for the payment of debt service on the Series 2011 Bonds, the Series 2015 Bonds and the Series 2020A Bonds. SLL BOCES is required to pay on September 1 of each year an amount equal to the debt service on the Series 2011 Bonds, the Series 2015 Bonds and the Series 2020A Bonds on the succeeding February 15 and August 15. See “PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2020A BONDS.”

Period Ending	Debt Service Requirements Series 2011 Bonds	Debt Service Requirements Series 2015 Bonds	Debt Service Requirements Series 2020A Bonds	Total Combined Debt Service*
8/15/2020	\$553,763	\$839,694		\$1,393,456
8/15/2021	553,200	840,494	\$1,332,819	2,726,513
8/15/2022	556,894	835,994	1,331,500	2,724,388
8/15/2023	554,644	839,456	1,330,000	2,724,100
8/15/2024	554,844	836,525	1,332,250	2,723,619
8/15/2025	553,944	841,313	1,333,000	2,728,256
8/15/2026	551,944	839,450	1,332,250	2,723,644
8/15/2027	553,844		1,335,000	1,888,844
8/15/2028	553,813		1,381,000	1,934,813
8/15/2029	552,375		1,383,000	1,935,375
8/15/2030	554,531		1,383,000	1,937,531
8/15/2031			1,381,000	1,381,000
8/15/2032			1,380,800	1,380,800
8/15/2033			1,379,200	1,379,200
8/15/2034			1,381,200	1,381,200
8/15/2035			1,381,600	1,381,600
8/15/2036			1,380,400	1,380,400
8/15/2037			1,382,600	1,382,600
8/15/2038			1,383,000	1,383,000
8/15/2039			1,381,600	1,381,600
8/15/2040			1,383,400	1,383,400
8/15/2041			1,383,200	1,383,200
8/15/2042			676,000	676,000

*Totals may not foot due to rounding.

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 SLL BOCES is included in PART 5. The financial statements of SLL BOCES for the fiscal year ended June 30, 2019 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 2020A BONDS - Tax Levy Limitation Law.”

The amount of State aid to a BOCES and its component school districts is dependent in part upon the financial condition of the State. Currently, due the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including requiring non-essential workers to stay at home and requiring schools to engage in online and distance learning for a certain period of time which period of time may be extended. The outbreak of COVID-19 and the steps taken to address it are expected to negatively impact the State’s economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will experience budgetary restrictions which will result in periodic review and/or action by the Director of the Budget of New York State. Such actions may include but are not limited to delays or reductions in payments to local governments or other recipients of State aid including BOCES and school districts in the State. If this were to occur, the financial condition of BOCES and school districts in the State, including SLL BOCES and its component school districts, could be adversely affected.

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 2020A 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 2020A 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 2020A 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 for a table of payments made by SLL BOCES to ERS and TRS since the 2014-15 fiscal year, the unaudited results for the 2019-20 fiscal year, the budgeted payments for the 2019-20 fiscal year and the proposed budgeted figure for the 2020-21 fiscal year.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that SLL BOCES provides employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as SLL BOCES, to account for employment healthcare benefits as it accounts for vested pension benefits.

School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing health benefits received by or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 75. In 2015, the Governmental Accounting Standards Board ("GASB") released new accounting standards for public Other Post-Employment Benefits ("OPEB") plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB

75"), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. For the fiscal year ended June 30, 2018, SLL BOCES implemented GASB 75. The implementation of this statement requires BOCES' to report OPEB liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required SLL BOCES to calculate and report a net OPEB obligation. However, under GASB 45, BOCES could amortize the OPEB liability over a period of years, whereas GASB 75 requires BOCES to report the entire OPEB liability on the statement of net position.

See PART 5 for a discussion of the impact of GASB 75 on SLL BOCES.

PART 5 – SLL BOCES

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

History

SLL BOCES was established in the early 1950s and provides shared services to 18 school districts in St. Lawrence and Lewis Counties, New York that together have approximately 15,133 students. SLL 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, BOCES programs generally offer advantages to school districts of specialization and economy of scale.

Operations

SLL BOCES programs and services for school districts are divided into seven departments as follows:

Special Education – Offers a spectrum of programs for children who are moderately to severely impaired, from age 3 to age 21. Center-based programs serve children with appropriate educational programs and a full range of therapies, with the goal of equipping children to live productive and independent lives. This department also provides support services to help districts meet their special education students' needs in their own schools.

Career and Technical Education and Alternative Education – There are currently 16 different CTE programs available at the three Centers. The CTE program strives to provide relevant career and college preparation to secondary students and adult residents of the SLL BOCES region. In addition, many articulation agreements and dual enrollment agreements between colleges, in and out of state, and SLL BOCES are in effect to grant academic credit to CTE Center graduates. Evening CTE courses are offered to adults in conjunction with the Adult and Continuing Education program of study. A Unique Occupations program, designed to provide career exploration and community-based work experience to interested high school seniors throughout the county offers opportunities in career areas that could not otherwise be studied in the CTE Centers or the traditional high school setting. Allied Health, a college prep course offered at the CTE Centers, provides an opportunity for interested senior students to explore careers in health occupations.

Curriculum, Instruction and Technology – Integrates the areas of curriculum, instruction and instructional technology. Designed to be a cohesive force for instructional planning with school districts, the department is able to address district needs and provide a single clear-cut line of access for support in related areas. Staff members within the department work together to help local districts integrate technology into instructional programs. Seeking to assist educators in their efforts to help students meet the new higher standards, the department's comprehensive, year round, professional development program provides teachers and administrators with the latest information about instructional strategies, new assessment tools and curriculum development. The department's services are loosely grouped as: 1) Planning and Assessment, 2) Professional Development, 3) Instructional Technology, and 4) Library Resources and Educational Communications.

Communications and Agency Planning – Offers school districts professional resources in public relations. The department brings together teams of experts, and can plan and implement comprehensive communications programs including budget campaigns, electronic media, special events and crisis consulting.

Business Services – Comprises all of the functions related to the financial management of SLL BOCES, including budgeting, payroll, billing and purchasing, plus the maintenance and food services offices. The department includes the Graphic Arts and Printing program which produces a wide variety of printed materials. The department also offers a Co-operative Bidding Program that offers school districts access to joint, high-volume bids.

Human Resources – Manages the recruitment, hiring and retention of SLL BOCES personnel, and provides support to all SLL 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, Labor Relations Management, Teacher Recruitment, and an employee assistance program consortium.

Component School Districts

The component school districts (the “Component School Districts”) which comprise SLL BOCES are as follows:

Brasher Falls	Hammond	Massena
Canton	Harrisville	Morristown
Clifton-Fine	Hermon-DeKalb	Norwood-Norfolk
Colton-Pierrepont	Heuvelton	Ogdensburg
Edwards-Knox	Lisbon	Parishville-Hopkinton
Gouverneur	Madrid-Waddington	Potsdam

Form of BOCES Administration

SLL BOCES carries out its programs through a nine-member board and a staff of approximately 624 salaried staff members. SLL BOCES Board members are elected by the boards of education of the 18 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 SLL BOCES 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 SLL BOCES Board as a whole, and not with any individual member or any group of members in any committee. The SLL BOCES Board has responsibility for the governance of SLL BOCES and for all final policy decisions.

SLL BOCES Board Members serve at large; each term of office is for three years. BOCES Board Members either currently sit on component school Boards of Education or are retired from a component school Board of Education.

Budgetary Procedures

Pursuant to the Education Law, the Board of SLL BOCES annually prepares, prior to the annual meeting of the Boards of Education of the Component School Districts, a tentative budget for the BOCES program. A meeting of the Boards of Education of the Component School Districts is held in the month of April at which time the tentative budget is available for inspection by said Boards of Education. After such annual meeting, the Board of SLL BOCES adopts the budget for the ensuing year. The administrative budget is voted on in April by the Component School Districts.

Such budget, when so adopted, after deducting applicable State aid grants and other revenues is charged against all of the Component School Districts in accordance with applicable provisions of the Education Law. The school authorities of each Component School District are required to add such amount to the budget of such Component School District, levy and collect the same at the same time and in the same manner as SLL BOCES collects other

taxes for its own use and pay such amounts to the Treasurer of SLL BOCES. In the event the tentative budget of a Component School District is not approved by a majority of the voters, such charge from SLL BOCES may be raised by such Component School District as an ordinary contingent expense in a like manner as if the same had been voted by the voters.

Investment Policy

Pursuant to the statutes of the State of New York, SLL BOCES is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than SLL BOCES; (6) obligations of a New York public corporation which are made lawful investments by SLL BOCES pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State; and, (8) in the case of SLL BOCES moneys held in certain reserve funds established pursuant to law, obligations issued by SLL BOCES. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is SLL BOCES' current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, SLL BOCES may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third-party custodian.

The Treasurer is authorized to contract for the purchase of investments, including through a written repurchase agreement with a third-party custodian, from an authorized trading partner. SLL BOCES does not invest in reverse repurchase agreement on other derivative type investments.

Contractual Agreement

Upon adoption of the budget for the ensuing fiscal year, contracts are drafted and executed by SLL BOCES and each respective Component School District. Said contracts are based on the budget estimates.

The contracts, along with the State required COSER form (which specifies program content of the proposed services to be performed by SLL BOCES) must be forwarded to the State Commissioner of Education by July 1. During the month of July, the State Commissioner of Education notifies SLL BOCES of any programs or services he deems ineligible for State aid. With the knowledge of approved program contents for State aid, SLL BOCES and Component School Districts may modify the aforementioned contracts. Said contracts are also adjusted for more accurate cost projections and then resubmitted to the State Commissioner of Education by August 1. All contracts must be approved by the Commissioner's office by September 1. Such approval is then usually routinely granted, however, the contracts are not valid and binding until such approval is obtained. Each Component School District is billed pursuant to its contract, and remits to the Treasurer of SLL BOCES 10% of its total liability monthly from September through June.

All contracts and COSER forms for the 2018-19 and 2019-20 fiscal years have been approved by the Component School Districts and will be submitted to the State Commissioner of Education for her approval.

Percentage of Contractual Liability

The percentage of contractual liability by Component School Districts for the 2020-21 contracts is as follows:

<u>Component School District</u>	<u>Total Amount Paid to SLL BOCES</u>	<u>Percentage Share of Total SLL BOCES Receipts</u>	<u>Amount Allocated to Administrative Expenses</u>	<u>Percentage Share of Administrative Expenses</u>
Brasher Falls	\$3,695,342	5.46%	\$546,520	6.83%
Canton	5,321,567	7.86%	662,164	8.28%
Clifton-Fine	1,393,148	2.06%	150,453	1.88%
Colton-Pierrepont	1,457,410	2.15%	188,310	2.35%
Edwards-Knox	2,001,240	2.96%	263,536	3.29%
Gouverneur	5,541,997	8.19%	792,656	9.91%
Hammond	1,550,051	2.29%	145,332	1.82%
Harrisville	1,555,752	2.30%	197,022	2.46%
Hermon-Dekalb	2,088,255	3.09%	205,198	2.56%
Heuvelton	3,792,637	5.60%	303,961	3.80%
Lisbon	2,964,545	4.38%	302,425	3.78%
Madrid-Waddington	2,913,896	4.31%	376,627	4.71%
Massena	10,070,875	14.88%	1,383,177	17.29%
Morristown	2,060,934	3.05%	178,589	2.23%
Norwood-Norfolk	4,714,916	6.97%	524,512	6.56%
Ogdensburg	7,575,581	11.19%	874,018	10.92%
Parishville-Hopkinton	2,570,888	3.80%	217,991	2.72%
Potsdam	6,410,108	9.47%	687,749	8.60%
Total	\$67,679,143	100.00%	\$6,724,772	100.00%

Each Component School District is severally liable for the payment of its own contractual obligation only.

State Appropriations

The Component School Districts are eligible for State aid for payments made to SLL BOCES at levels commensurate with other operating expenditures. However, such aid is received in the ensuing fiscal year by SLL BOCES less deductions for the Retirement Systems. (See "Status and Financing of Employee Pension Benefits.")

SLL BOCES remits the applicable State aid to each Component School District on the following schedule: 25% on or about February 1, 30% in June and the balance in September (of the next fiscal year).

There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor.

The following chart presents the amount of State aid accrued by SLL BOCES during the past eight school years ended June 30 of the years shown, although a portion of such amount may have been received by SLL 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 SLL BOCES budget for the year in which it is received.

State Aid Appropriations to SLL BOCES

School Year <u>Ending June 30,</u>	Accrued Sept. <u>Payment State Aid</u>	Total Annual <u>Payments State Aid</u>	% General Fund <u>Budget</u>
2013	\$ 7,725,999	\$ 16,381,989	47.16%
2014	9,360,736	18,561,973	50.43%
2015	9,472,698	19,525,456	48.51%
2016	9,435,119	20,531,354	45.95%
2017	9,383,864	20,583,358	45.59%
2018	10,300,893	22,392,788	46.00%
2019	10,367,463	22,613,759	45.80%
2020 (Budgeted)	10,663,395	23,696,434	45.00%

Recent Events Affecting State Aid to New York School Districts

COVID-19: The amount of State aid to school districts is dependent in part upon the financial condition of the State. Currently, due to the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including requiring non-essential workers to stay at home and requiring schools to engage in online and distance learning for a certain period of time, which period of time may be extended. The outbreak of COVID-19 and the steps taken by the State to address it are expected to negatively impact the State’s economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will experience budgetary restrictions which will require certain gap-closing actions. Such actions may include, but are not limited to, reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

The State’s 2020-2021 Adopted Budget authorizes the State’s Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State’s 2020-2021 budget is balanced during three “measurement periods”: April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if “a General Fund imbalance has occurred during any Measurement Period,” the State’s Budget Director will be empowered to “adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget,” and “such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed.” The legislation further provides that prior to making any adjustments or reductions, the State’s Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director’s reductions take effect automatically.

It is anticipated that the State Budget Director’s powers discussed herein will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. On April 25, 2020 the New York State Division of the Budget announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the “Financial Plan”), projects a \$13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions are expected to significantly reduce State spending in several areas, including “aid-to-localities,” a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and not-for-profits. Reduced receipts are expected to carry through each subsequent year of the four-year Financial Plan through State fiscal year 2024. Reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State's current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise such as the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

School District fiscal year (2015-2016): The 2015-2016 State budget included a partial reduction in the Gap Elimination Adjustment with \$603 million in GEA cuts being restored, and provided an additional \$428 million in foundation aid and \$268 million in expense base aids which reimbursed school districts for prior year expenses in school construction, transportation, school district and special education services.

School District fiscal year (2016-2017): The 2016-17 State budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consists of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the budget also includes a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase includes \$100 million in Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. Further information may be obtained at the official website of the New York State Division of Budget and the New York State Education Department.

School District fiscal year (2017-2018): The State 2017-2018 Enacted Budget increased State aid to education by \$1.1 billion, including a \$700 million increase in Foundation Aid, bringing the total amount of State aid to education to \$25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-2018 and 2018-2019 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. The State 2017-2018 Enacted Budget allowed the Governor to reduce aid to school districts mid-year if receipts from the federal government were less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

School District fiscal year (2018-2019): The State's 2018-2019 Enacted Budget included nearly \$1 billion in additional education funding, representing a 3.9% increase over 2017-2018. Approximately \$859 million of that increase was comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid stood at \$26.03 billion statewide, a 3.4% increase over the prior year. The State's 2018-19 Enacted Budget included an increase of \$618 million in Foundation Aid for school districts. Foundation Aid totaled nearly \$17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State's 2018-2019 Enacted Budget guaranteed that all school districts receive an increase in Foundation Aid over their 2017-2018 levels. \$50 million of the Foundation Aid increase was "set aside" for certain school districts to fund community schools. The State's 2018-2019 Enacted Budget fully funded all expense-based aid for 2018-2019, including building, transportation, BOCES and special education aid. These categories served as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of \$240 million was approved for increases in all expense-based aids in 2018-2019. The State 2018-2019 Enacted Budget continued to allow the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected.

School District fiscal year (2019-2020): The State's 2019-2020 Enacted Budget includes a total of \$27.69 billion for School Aid, a year-to-year funding increase of \$956 million or 3.6 percent and will provide additional funding for Foundation Aid of \$338.0 million and \$409.65 million in reimbursements for expense-based aids. In addition, the

2019-2020 Enacted Budget increases the Community Schools set-aside funding amount by \$49.99 million to a total of \$250.0 million. This increased funding is targeted to districts with failing schools and/or districts experiencing significant growth in English language learners. The 2019-2020 Enacted Budget increases the minimum community schools funding amount from \$75,000 to \$100,000. This ensures all high-need districts across the State can apply the funds to a wide-range of activities.

School District Fiscal Year (2020-21): The State’s 2020-2021 Enacted Budget includes a year-to-year funding increase for State aid of \$95.0 million or .035% percent. Foundation Aid to school districts is frozen at the same level as the 2019-2020 fiscal year; while other aids, calculated according formulas in current law, are responsible for the increase. The State’s 2020-2021 Enacted Budget includes \$10 million in new funding for grants to school districts for student mental health services. It should be noted that there was an actual year-to-year decrease of State aid implemented through a reduction of each school district’s State aid allocation from the 2019-2020 year. The reduction is being referred to as a “Pandemic Adjustment”. However, the decrease in State aid is expected to be fully offset by an allocation received by the State of funds from the recently approved federal stimulus bill. Absent the federal stimulus funds, there would have been a \$1.127 billion decrease in State aid from the 2019-2020 year. In addition, the State’s 2020-2021 Enacted Budget authorizes the State’s Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See “State Appropriations” herein for a discussion of this provision set forth in the State’s 2020-2021 Enacted Budget.

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in Campaign for Fiscal Equity v. New York mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of The Campaign for Fiscal Equity decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive \$5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a “gap elimination adjustment” as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date.

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York was heard on appeal on May 30, 2017 in New Yorkers for Students’ Educational Rights v. State of New York (“NYSER”) and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a “sound basic education” as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its

previous ruling in the CFE case that absent “gross education inadequacies”, claims regarding state funding for a “sound basic education” must be made on a district-by-district basis based on the specific facts therein.

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the Component School Districts, can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

Obligations of Component School Districts

All component School Districts are required to pay their allocable share of SLL BOCES administrative and capital expenses notwithstanding that they may elect not to participate in any of SLL BOCES educational programs. Each component school district pays a proportional share of SLL BOCES administrative and capital expenses (based on attendance or enrollment formulas or property values) through tax levies and local school boards vote on SLL BOCES administrative and capital budgets 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 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 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 districts 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 BOCES administrative and capital expenses. 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.

Employees

SLL BOCES employs a total of 624 employees. Instructional employees are represented as follows:

<u>Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
184	St. Lawrence - Lewis BOCES Teachers’ Association	June 30, 2021
291	St. Lawrence - Lewis BOCES Federation of Instructional Support Personnel	June 30, 2023
104	St. Lawrence-Lewis BOCES Non-Instructional Support Staff Association	June 30, 2022

Status and Financing of Employee Pension Benefits

Professional employees (teachers and administrators) are members of the New York State Teachers' Retirement System (“TRS”). All non-professional employees of the BOCES eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employees' Retirement System (“ERS”) and collectively with TRS, the “Retirement Systems”. These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the “Retirement System Law”). The Retirement 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 benefits and optional methods of benefit payments. All benefits generally begin vesting after five (5) years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement Systems are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 1, 1976, with less than 10 years of service, must contribute 3% of their gross annual salary toward the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. New professional hires as members of TRS will be required to contribute 3.5% under recent new legislature.

On December 12, 2009, the new Tier V was signed into law. The legislation created a new Tier V pension level, the most significant reform of the State’s pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

Additionally, on March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

SLL BOCES payments to ERS and TRS since the 2014-15 fiscal year, the unaudited results for the 2019-20 fiscal year, the budgeted payments for the 2019-20 fiscal year and the proposed budgeted figure for the 2020-21 fiscal year are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2014-15	\$ 1,363,901	\$ 3,062,235
2015-16	1,189,665	3,350,469
2016-17	1,116,579	2,681,207
2017-18	1,124,922	1,643,437
2018-19	1,152,802	1,786,172
2019-20 (Budgeted)	1,291,004	1,630,628
2019-20 (Unaudited)	1,212,909	1,527,997
2020-21 (Proposed)	1,222,639	1,791,829

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. SLL BOCES currently does not have any early retirement incentives.

Historical Trends and Contribution Rates. Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and TRS rates as a percent of payroll (2016 to 2020) is shown below:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2015-16	18.2%	13.26%
2016-17	15.5	11.72
2017-18	15.3	9.80
2018-19	14.9	10.62
2019-20	14.6	8.86

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by the State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

SLL BOCES is not amortizing any pension payments nor does it intend to do so in the foreseeable future.

Stable Rate Pension Contribution Option: The 2013-14 State Budget included a provision that provides local governments and school districts, including the BOCES, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 14% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years.

The BOCES did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering SLL BOCES’ employees is not subject to the direction of SLL BOCES. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from SLL BOCES which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that SLL BOCES provides employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as SLL BOCES, to account for employment healthcare benefits as it accounts for vested pension benefits.

School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing health benefits received by or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 75. In 2015, the Governmental Accounting Standards Board ("GASB") released new accounting standards for public Other Post-Employment Benefits ("OPEB") plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. For the fiscal year ended June 30, 2018, SLL BOCES implemented GASB 75. The implementation of this statement requires SLL BOCES to report OPEB liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required SLL BOCES to calculate and report a net OPEB obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position.

SLL BOCES contracted with Armory Associates, an actuarial firm, to calculate its actuarial valuation under GASB 75 for the fiscal years ending June 30, 2018 and 2019. Prior valuations performed under GASB 45 guidelines have not been restated and are not reflected in historic exhibits.

The following outlines the changes to the Total OPEB Liability during the past two fiscal years, by source.

	June 30, 2017	June 30, 2018
Balance beginning at:	<u>\$ 205,899,842</u>	<u>\$ 187,953,018</u>
<u>Changes for the year:</u>		
Service cost	8,080,556	6,113,323
Interest	6,046,105	6,915,960
Differences between expected and actual experience	-	2,892,449
Changes in benefit terms	-	(164,648)
Changes in assumptions or other inputs	(28,400,816)	1,997,814
Benefit payments	<u>(3,672,669)</u>	<u>(3,912,746)</u>
Net Changes	<u>\$ (17,946,824)</u>	<u>\$ 13,842,152</u>
	June 30, 2018	June 30, 2019
Balance ending at:	<u><u>\$ 187,953,018</u></u>	<u><u>\$ 201,795,170</u></u>

Note: The above table is not audited. For additional information see the financial statements of SLL BOCES for the fiscal year ended June 30, 2019 set forth in Appendix B hereto.

There is no authority in current State law to establish a trust account or reserve fund for this liability. SLL BOCES has reserved \$0 towards its OPEB liability. SLL BOCES funds this liability on a pay-as-you-go basis.

SLL BOCES' unfunded actuarial accrued OPEB liability could have a material adverse impact upon SLL BOCES' finances and could force SLL BOCES to reduce services.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in the last two legislative sessions. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced or enacted if introduced.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Series 2020A Bonds are to be issued is the Education Law and the Local Finance Law.

No principal or interest upon any obligation of SLL BOCES is past due.

The fiscal year of SLL BOCES is July 1 to June 30.

Litigation

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

Financial Statements

SLL BOCES retains Independent Certified Public Accountants. The last audited report covers the period ending June 30, 2019 and may be found in the financial statements of SLL BOCES for the fiscal year ended June 30, 2019 set forth in Appendix B hereto t.

SLL BOCES complies with the Uniform System of Accounts as prescribed by the State Comptroller for BOCES in New York State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending June 30, 2003 SLL BOCES is required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management’s Discussion and Analysis. SLL BOCES is in compliance with Statement No. 34.

The State Comptroller’s Fiscal Stress Monitoring System

The 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 districts 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 districts 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.

SLL BOCES itself has not been classified pursuant to this system.

The most recent applicable report of the State Comptroller for fiscal year ending 2019 classifies all component school districts of the BOCES under the category of “No Designation” except for the Component School Districts listed below:

<u>Component School District</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
Canton CSD	Susceptible	26.7
Harrisville CSD	Susceptible	41.7

Additional details regarding the Fiscal Stress Monitoring System can be found on the State Comptroller’s official website. Reference to websites implies no warranty of accuracy of information therein, nor inclusion herein by reference.

State Comptroller Report of Examination

The State Comptroller’s office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether SLL BOCES has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The State Comptroller’s office released an audit report of SLL BOCES on December 23, 2016. The purpose of the audit was to evaluate the accuracy of SLL BOCES’ payroll payments for the period July 1, 2014 through May 31, 2016.

Key Findings:

- SLL BOCES officials established and adhered to good procedures for processing and verifying payroll payments.

Key Recommendations:

- There were no recommendations as a result of this audit.

SLL BOCES provided a complete response to the State Comptroller’s office on December 5, 2016. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no State Comptrollers audits of SLL BOCES that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein, nor inclusion herein by reference.

Tax Collection Procedure of Component School Districts

Tax payments in each of the Component School Districts are due September 1. On November 15, uncollected taxes are returnable to the respective counties for collection. The Component School Districts receive the uncollected amount from said counties prior to the end of the Component School Districts' fiscal year, thereby assuring 100% collection annually.

Capital Projects and Financings

Outstanding Debt. On June 14, 2007 DASNY issued the Series 2007 Bonds. On June 5, 2015, DASNY issued the Series 2015 Bonds, the proceeds of which were used to refund the Series 2007 Bonds. The proceeds of the Series 2007 Bonds were used together with other available moneys to (i) pay costs of a capital reconstruction project and (ii) pay all or a portion of the costs of issuance of the Series 2007 Bonds, including the payment of the premium for the reserve fund facility and payment of the premium for the municipal bond insurance policy. The project consisted of repairs, renovations and alterations to the Southwest Tech, Seaway Tech and Northwest Tech campuses.

On July 22, 2011 DASNY issued the Series 2011 Bonds. The proceeds of the Series 2011 Bonds were used together with other available moneys to finance an additional project, which consists of the acquisition of an approximately 69,966 square foot office building located on a 5.56 acre parcel of land at 40 West Main Street, Canton, New York for use as a primary administrative office building for SLL BOCES.

Current Capital Projects and Financing. The proceeds of the Series 2020A Bonds will be applied to finance the Project, which is Phase 1 of the Master Project consisting of the construction of additions to and the renovation of SLL BOCES’ school facilities serving as technical centers. See “PART 6 – THE PROJECT” below. SLL BOCES anticipates financing Phase 2 of the Master Project through the issuance of the Series 2020B Bonds through DASNY, in the third or fourth quarter of calendar year 2020 or in 2021. The aggregate amount of Series 2020A Bonds and Series 2020B Bonds that DASNY is authorized to issue in connection with the Master Project is \$43,000,000.

SLL BOCES is also considering a smaller capital project to build storage buildings at the three technical centers. This project would be funded with capital outlay monies, without any borrowing. The current cost estimate for the project is \$2.4 million.

SLL BOCES is considering an energy performance project that is estimated to cost about \$2 million. The project work would cover energy improvements at all SLL BOCES facilities. Energy savings together with SLL BOCES aid would fund the project. SLL BOCES plans on providing information to the State for the project and receiving approval in late 2020 or early 2021 with the majority of work occurring in the summer of 2021. Financing with a lease would occur after approval by the State and the first payment would not be until the 2021-22 fiscal year.

Other than noted above, SLL BOCES has no other active capital projects nor any contemplated at this time.

Other Obligations

SLL BOCES enters into installment purchase contracts and offers lease purchase agreements to its component school districts for the purchase of equipment. While SLL BOCES is obligated under these equipment installment purchase contracts, it expects to be made whole by its agreements with the school districts. Total expenditures on such

leases for the fiscal year ended June 30, 2020 are anticipated to be approximately \$382,428. The future minimum lease payments by year are as follows.

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 382,428
2021	329,798
2022	263,426
2023	205,756
2024	<u>69,968</u>
Total Minimum Lease Payments	1,251,376
Less Amount Representing Interest	<u>(111,164)</u>
Total	\$ 1,140,212

Source: Audited financial statements of SLL BOCES for the fiscal year ended June 30, 2019 set forth in Appendix B hereto.

SLL BOCES leases certain equipment, office space and personal property under the terms of various non-cancelable leases. Rental expense for the year ended June 30, 2019 was \$330,079. Minimum annual rentals for each of the remaining years of the lease at June 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 314,387
2021	269,869
2022	188,835
2023	116,204
2024	<u>19,412</u>
Total	\$ 908,707

Note: SLL BOCES anticipates entering into 2 installment purchase contracts and 1 lease agreement for copiers on July 1, 2020. The installment purchase contracts are anticipated to be for 6 copiers for a 36-month term at \$882.47 per month and 1 copier for a 60-month term at \$171.26 per month. The lease agreement is anticipated to be for 2 copies for a 60-month term at \$1,529.70 per month.

Source: Audited financial statements of SLL BOCES for the fiscal year ended June 30, 2019 set forth in Appendix B hereto.

PART 6 – THE PROJECT

The Project consists of phase one (“Phase 1”) of the construction, renovation, repair and/or equipping of various facilities of the BOCES, including the Seaway Career and Technical Education Center, the Southwest Career and Technical Education Center, and the Northwest Career and Technical Education Center (the “Master Project”). The Project will be financed by the Series 2020A Bonds. Phase two of the Master Project (“Phase 2”) is expected to be funded by the Series 2020B Bonds. Voters approved the Master Project on October 9, 2018. It is anticipated that construction will begin for Phase 1 in the summer 2020. Phase 1 will include portions of work necessary to complete: development of additional separate classroom space for high-bay shop programs; building electrical service switchgear replacement and electrical distribution improvements; energy efficient lighting; new culinary kitchen construction to address both major sanitary plumbing issues, code compliance, and current design for culinary specific instruction; and two new additional high bay shops for additional programs, and various Handicap Accessibility Compliance Upgrades, and asphalt surfacing improvements, all with respect to the above referenced school facilities. SLL BOCES expects the aggregate costs of the Master Project to be approximately \$43,500,000. SLL BOCES expects Phase 2 of the Master Project, which is to be financed by the Series 2020B Bonds, to be completed in the Fall of 2021.

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 2020A Bonds	\$18,980,000.00
Net Original Issue Premium	<u>2,947,213.15</u>
Total Sources	\$21,927,213.15

Uses of Funds

Costs of the Project	\$21,500,000.00
DSRF Surety Premium	19,021.75
Costs of Issuance ¹	294,753.18
Underwriter's Discount	<u>113,438.22</u>
Total Uses	\$21,927,213.15

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 Addiction Services and Supports, 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 June 30, 2020, DASNY had approximately \$62.7 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 536 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 47 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.

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 term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

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 Master's 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 expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

BERYL L. SNYDER, J.D., *Secretary*, 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 expired on August 31, 2016 and by law she continues to serve until a successor shall be chosen and qualified.

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.

WELLINGTON Z. CHEN, Queens.

Wellington Z. Chen was appointed as a Member of DASNY by the Governor on June 20, 2018. Mr. Chen is the Executive Director of the Chinatown Partnership Development Corporation. In this capacity, he leads the Chinatown Partnership in implementing initiatives in infrastructure, post 9/11 rebuilding and public space improvements in a comprehensive effort to improve the environmental and the business conditions. He is a graduate of the School of Architecture and Environmental Studies at The City College of New York. Mr. Chen's term expired on March 31, 2020 and by law he continues to serve until a successor shall be chosen and qualified.

JOAN M. SULLIVAN, Slingerlands.

Joan M. Sullivan was appointed as a Member of DASNY by the New York State Comptroller on March 26, 2019. Ms. Sullivan is President of On Wavelength Consulting LLC, a firm that assists governmental entities with development of public procurements and private companies with the preparation of effective responses to government solicitations. She possesses over 40 years of experience working in and for the government of New York State, including an expansive career at the NYS Office of State Comptroller where she last served as Executive Deputy Comptroller before accepting an appointment as Executive Director of The NYS Forum, Inc. Ms. Sullivan holds a Bachelor of Arts degree in Business Administration (Accounting) from Siena College.

GERARD ROMSKI, ESQ., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on May 9, 2016. 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. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

JANICE McKINNIE, Buffalo.

Janice McKinnie was appointed as a Member of DASNY by the Speaker of the Assembly on June 12, 2020. Ms. McKinnie is the Executive Director of True Community Development Corporation where she has led various housing rehabilitation and development projects and has formed strategic alliances with local and regional community groups to promote affordable housing and economic growth within the area of Buffalo. She is also the owner of Developments By JEM, LLC, a construction and project development consulting firm and a NYS certified M/WBE business. Ms. McKinnie is a graduate of the State University College of Buffalo and holds a Master's degree in organizational leadership from Medaille College.

SHANNON TAHOE, Acting Commissioner of Education of the State of New York, Cohoes; ex-officio.

Shannon Tahoe assumed the role of Acting Commissioner of Education and Acting President of the University of the State of New York effective November 16, 2019. Since September 2006, Ms. Tahoe has served in various capacities within the Department, including Deputy Counsel and Assistant Counsel for Legislation. In October 2019, she was appointed Acting Counsel and Deputy Commissioner for Legal Affairs. This appointment will continue to remain in effect along with her appointment as Acting Commissioner of Education and Acting President of the University of the State of New York. Ms. Tahoe has provided legal advice and counsel on critical policy matters and key initiatives. She is familiar with all aspects of the work of the Department, having managed the day-to-day operations of the Office of Counsel as Deputy Counsel and now Acting Counsel. During her tenure, Ms. Tahoe has also assisted with the successful management of a broad array of critical Departmental functions and responsibilities. She holds a Juris Doctorate degree from Syracuse University and Bachelor of Science degree from the University of Rochester.

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 Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

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 Juris Doctor degree from Fordham University School of Law and a Master of Laws degree from Columbia Law School.

The principal staff of DASNY are as follows:

REUBEN R. McDANIEL, III is the President and chief executive officer of DASNY, responsible for the overall management of DASNY's administration and operations. Mr. McDaniel possesses more than 30 years of experience in financial services, including public finance, personal wealth management, corporate finance and private equity. During his career in public finance, he participated in more than \$75 billion in tax-exempt bond issuances throughout the country. He has also managed investment portfolios and business assets for a variety of professionals. He previously served as Chair of the Atlanta Board of Education for Public Schools. Mr. McDaniel holds an undergraduate degree in Economics and Mathematics from the University of North Carolina at Charlotte and a Master of Business Administration from the University of Texas at Austin.

PAUL G. KOOPMAN is the Vice President of DASNY and assists the President in the administration and operation of DASNY. Mr. Koopman joined DASNY in 1995 managing the Accounts Payable and Banking and Investment Units followed by management positions in the Construction Division including Managing Senior Director of Construction where he was the primary relationship manager for some of DASNY's largest clients and provided oversight of DASNY's construction administration functions. Most recently, Mr. Koopman served as Managing Director of Executive Initiatives of DASNY where he worked closely with executive staff on policy development, enterprise risk management, and strategic planning. His career in public service began in 1985 with the NYS Division of the Budget, and then continued as Chief Budget Analyst for the New York State Facilities Development Corporation. A graduate of the Rockefeller College of Public Affairs, he holds a Master of Arts degree in Public Administration with a Public Finance concentration, and a Bachelor of Arts degree in Political Science from the State University of New York, University at Albany.

KIMBERLY J. NADEAU 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, financial reporting functions, budget, payroll, insurance and information services, 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. In addition, he is responsible for the supervision of DASNY's environmental affairs unit. 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 is the Managing Director of Construction. Mr. Curro is responsible for DASNY's construction groups, including design, project management, resource acquisition, contract administration, interior design, real property, sustainability and engineering, as well as other technical 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.

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.

There is not now pending any litigation against DASNY (i) restraining or enjoining the issuance or delivery of the Series 2020A Bonds or (ii) challenging the validity of the Series 2020A Bonds or the proceedings and authority under which DASNY will issue the Series 2020A Bonds.

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, 2020. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 9 – LEGALITY OF THE SERIES 2020A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2020A 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 2020A Bonds.

The Series 2020A 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 2020A 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 2020A Bonds.

PART 11 – TAX MATTERS

General

In the opinion of Bond Counsel, under existing law and assuming continuing compliance by DASNY and SLL BOCES with certain tax covenants described herein, and the accuracy and completeness of certain representations and certifications made by DASNY and SLL BOCES described herein, (i) interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Series 2020A Bonds is not an item of tax preference for purposes of calculating the alternative minimum tax under the Code.

In addition, Bond Counsel is of the opinion that under existing law interest on the Series 2020A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York.

The Code establishes certain requirements that must be met as of and subsequent to the issuance and delivery of the Series 2020A 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, expenditure and investment of the proceeds of the Series 2020A Bonds, the use of the facilities financed with the proceeds of the Series 2020A Bonds, the yield and other restrictions on investment of gross proceeds of the Series 2020A Bonds, and the arbitrage rebate requirement that certain earnings on gross proceeds of the Series 2020A Bonds be rebated to the United States Treasury. Failure to comply with the requirements of the Code applicable to the Series 2020A Bonds

may cause interest on the Series 2020A Bonds to be included in gross income for purposes of federal income tax retroactive to the date of original execution and delivery of the Series 2020A Bonds, regardless of the date on which the event causing such inclusion occurs.

DASNY shall covenant in the Tax Certificate and Agreement to be executed and delivered by DASNY and SLL BOCES in connection with the issuance of the Series 2020A Bonds (the “Tax Certificate”) to comply with the requirements of the Code applicable to the Series 2020A Bonds in order to maintain the exclusion of the interest on the Series 2020A Bonds from gross income for federal income tax purposes under Section 103 of the Code. SLL BOCES has covenanted in the Agreement and shall further covenant in the Tax Certificate, 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 2020A Bonds from gross income for federal income tax purposes under Section 103 of the Code.

The Code contains other provisions (some of which are noted below) that could result in tax consequences, upon which Bond Counsel renders no opinion, as a result of ownership of the Series 2020A Bonds or the inclusion in certain computations of interest that is excluded from gross income.

In rendering its opinion with respect to the Series 2020A Bonds, Bond Counsel has relied on certain representations, undertakings, certifications of fact and statements of reasonable expectations made by DASNY and SLL BOCES, and Bond Counsel has assumed compliance by DASNY and SLL 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 2020A Bonds from gross income under Section 103 of the Code. Bond Counsel will not independently verify the accuracy of those representations, undertakings, certifications of fact and statements of reasonable expectations.

Certain requirements and procedures contained or referred to in the Resolutions, the Agreement, the Tax Certificate 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 Bond Counsel. The opinion of Bond Counsel states that Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the Series 2020A Bonds if any such change occurs or action is taken or not taken after the date of delivery of the Series 2020A Bonds in reliance on the opinion or advice of counsel other than Bond Counsel.

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 2020A Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Original Issue Discount

The excess, if any, of the amount payable at maturity of any maturity of the Series 2020A Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Series 2020A Bonds with original issue discount (the “Discount Bonds”) will be excluded from gross income for purposes of federal income taxation to the same extent as interest on such Series 2020A Bonds. In general, the issue price of a maturity of the Series 2020A Bonds is the first price at which a substantial amount of such maturity was sold to the public (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser’s adjusted basis in a Discount Bond is increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition

of such Discount Bond for purposes of federal income taxation. Owner of a Discount Bond should be aware that the accrual of original issue discount in each taxable year may affect some of the collateral federal income tax consequences described herein although such owner has not received cash attributable to such original issue discount in such taxable year.

Prospective purchasers of Discount Bonds should consult their tax advisors with respect to the tax consequences of acquiring, owning and disposing of Discount Bonds.

Bond Premium

The excess, if any, of the tax adjusted basis of a maturity of any Series 2020A Bonds purchased as part of the initial public offering by a purchaser (other than a purchaser who holds such Series 2020A 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 2020A 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 attributable to a taxable year is treated as an offset to qualified stated interest received on such Premium Bond during such taxable year.

Prospective purchasers of Premium Bonds should consult their tax advisors with respect to the tax consequences of acquiring, owning and disposing of Premium Bonds.

Information Reporting and Backup Withholding

Interest paid on the Series 2020A 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 2020A 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.

Miscellaneous

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authority and represents Bond Counsel’s judgment as to the proper treatment of the Series 2020A Bonds for federal income tax purposes. Such opinion 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 2020A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject 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 2020A 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 2020A Bonds. Prospective purchasers of the Series 2020A Bonds should consult their own advisers regarding the foregoing matters.

The engagement of Bond Counsel with respect to the Series 2020A Bonds ends with the issuance of the Series 2020A Bonds and, unless separately engaged, Bond Counsel is not obligated to defend DASNY, SLL BOCES or the bondholders regarding the tax-exempt status of the Series 2020A Bonds in the event of an audit examination by the IRS. Under current procedures, parties, including the bondholders, other than DASNY, SLL BOCES and their appointed counsel 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 2020A 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 2020A Bonds, and may cause DASNY, SLL BOCES or the bondholders to incur significant expense.

The proposed form of the opinion of Bond Counsel relating to the Series 2020A Bonds is set forth in Appendix F hereto.

PART 12 – STATE NOT LIABLE ON THE SERIES 2020A 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 2020A 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 2020A Bonds by DASNY are subject to the approval of Bryant Rabbino LLP, Bond Counsel to DASNY, whose approving opinion will be delivered with the Series 2020A Bonds. The proposed form of opinion to be delivered by Bryant Rabbino LLP, Bond Counsel, is set forth in Appendix F hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Trespasz & Marquardt, LLP, Syracuse, New York and for SLL BOCES by its counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

PART 15 – UNDERWRITING

Roosevelt & Cross Incorporated (the "Underwriter") has agreed, subject to certain conditions, to purchase the Series 2020A Bonds from DASNY at an aggregate purchase price of \$21,813,774.93 and to make a public offering

of the Series 2020A 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 2020A Bonds if any are purchased.

The Series 2020A 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.

PART 16 – 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”), SLL BOCES will enter into a written agreement (the “Continuing Disclosure Agreement”) with Digital Assurance Certification LLC (“DAC”), as disclosure dissemination agent, and the Trustee. The proposed form of the Continuing Disclosure Agreement is attached hereto as Appendix E.

Historical Compliance

SLL BOCES has complied in the previous five years, in all material respects, with any previous limited disclosure undertakings pursuant to Rule 15c2-12.

PART 17 – RATINGS

Moody’s Investors Service (“Moody’s”) assigned a rating of “Aa2” on the Series 2020A 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 2020A Bonds.

On April 1, 2020 Moody’s affirmed its Aa2 programmatic rating and revised the outlook to negative from stable on most intercept programs of the State of New York, including DASNY Master BOCES Intercept Program Bonds authorized under the Master Resolution. The Action reflects the impact of the coronavirus crisis on the State and Moody’s expectation that the crisis will have substantial impacts on State finances and the economy, eating into the State’s reserves and straining its ability to structurally balance its budget.

PART 18 – SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning SLL 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 2020A Bonds, as to the accuracy of such information provided or authorized by it.

The information set forth herein relating to DASNY under the heading “DASNY” has been obtained from DASNY. All other information herein has been obtained by the Underwriter or from SLL BOCES and other sources deemed to be reliable by the Underwriter and is not to be construed as a representation by DASNY or the Underwriter. In addition, DASNY does not warrant the accuracy of the statements contained herein relating to SLL BOCES nor

does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of SLL BOCES, (2) the sufficiency of the security for the Series 2020A Bonds or (3) the value or investment quality of the Series 2020A Bonds.

SLL BOCES. The information in “PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES,” “PART 5 – SLL BOCES,” “PART 6 – THE PROJECT,” and “PART 7 – ESTIMATED SOURCES AND USES OF FUNDS” was supplied by SLL 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.

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 Opinion of Bond Counsel” have been prepared by Bryant Rabbino LLP.

DASNY will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2020A Bonds, the information contained under the heading “DASNY” in this Official Statement is and will be fairly presented in all material respects, and that such information 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.

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 2020A Bonds are fully set forth in the Resolutions, and neither any advertisement of the Series 2020A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2020A 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.

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/ Reuben R. McDaniel, III
Authorized Officer

DEFINITIONS

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 April 8, 2020, 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 means the Dormitory Authority of the State of New York, formed pursuant to the Act.

Authority Fee means the fee payable to the Authority in the amount of \$75,000.00 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 the Board of Cooperative Educational Services for the Sole Supervisory District of St. Lawrence and Lewis 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.

BOCES Lease or *Lease* means the Agreement of Lease, dated as of April 8, 2020, between the BOCES, as lessor, and the Authority, as lessee, as it may be from time to time amended, modified and supplemented, and that, unless stated otherwise, relates to the Series 2020A Bonds.

Bond or *Bonds* means any of the bonds of the Authority, including the Series 2020A 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 2020A 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 2020A 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.

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 2020A Resolution and the Series 2020B 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 2020A Resolution, authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Master Resolution.

Series 2011 Bonds means the Authority's \$6,800,000 Master BOCES Program Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2015.

“*Series 2020A Bonds*” means the Authority’s Master BOCES Program Lease Revenue Bonds, Series 2020A, for the BOCES.

Series 2020A Bond Series Certificate means the Certificate of an authorized officer of the Authority, fixing terms, conditions and other details of the Series 2020A Bonds.

Series 2020A Resolution means the Series 2020A Resolution authorizing up to \$43,000,000 Master BOCES Program Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2020A, adopted by the Authority on April 8, 2020.

Series 2020B Resolution means the Series 2020B Resolution authorizing up to \$43,000,000 Master BOCES Program Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2020B, adopted by the Authority on April 8, 2020.

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 SLL BOCES
FOR THE YEAR ENDED JUNE 30, 2019**

[THIS PAGE INTENTIONALLY LEFT BLANK]

S T. LAWRENCE-LEWIS
COUNTIES BOCES

FINANCIAL STATEMENTS

June 30, 2019

Table of Contents

ST. LAWRENCE-LEWIS COUNTIES BOCES

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
AUDITED BASIC FINANCIAL STATEMENTS	21
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES	21
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES	22
BALANCE SHEET – GOVERNMENTAL FUNDS	23
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	26
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES	27
STATEMENT OF FIDUCIARY NET POSITION	28
NOTES TO AUDITED BASIC FINANCIAL STATEMENTS	29
REQUIRED SUPPLEMENTARY INFORMATION	74
SCHEDULE OF CHANGES IN THE BOCES' TOTAL OPEB LIABILITY AND RELATED RATIOS	74
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL – GENERAL FUND	75
SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN	77
SCHEDULE OF THE BOCES' CONTRIBUTIONS – NYSLRS PENSION PLAN	78
SUPPLEMENTARY INFORMATION	79
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET – GENERAL FUND	79
ANALYSIS OF ACCOUNT A431 SCHOOL DISTRICTS	80
SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES	81
NET INVESTMENT IN CAPITAL ASSETS	82
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	83



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

**BOARD OF EDUCATION
ST LAWRENCE-LEWIS COUNTIES BOCES**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Lawrence-Lewis Counties BOCES as of and for the year ended June 30, 2019, 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 and each major fund of the St. Lawrence-Lewis Counties BOCES, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4-20), Schedule of Changes in the BOCES' Total OPEB Liability and Related Ratios (page 74), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) Basis and Actual – General Fund (page 75-76), Schedule of the BOCES' Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 77), and Schedule of the BOCES' Contributions – NYSLRS Pension Plan (page 78) 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.

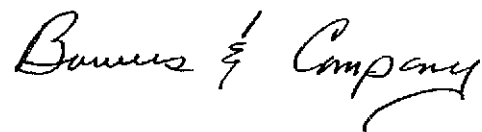
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Lawrence-Lewis Counties BOCES' basic financial statements. The Schedule of Change from Adopted Budget to Final Budget – General Fund, Analysis of Account A431 School Districts, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets (pages 79-82) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Change from Adopted Budget to Final Budget – General Fund, Analysis of Account A431 School Districts, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets (pages 79-82) 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 Schedule of Change from Adopted Budget to Final Budget – General Fund, Analysis of Account A431 School Districts, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets (pages 79-82) 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 October 10, 2019 on our consideration of the St. Lawrence-Lewis Counties 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 that report is solely 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 the effectiveness of the St. Lawrence-Lewis Counties BOCES' 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 St. Lawrence-Lewis Counties BOCES' internal control over financial reporting and compliance.



Watertown, New York
October 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the St. Lawrence-Lewis Board of Cooperative Educational Services (BOCES) financial performance for the fiscal year ended June 30, 2019. 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. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the BOCES' financial statements, which immediately follow this section.

ORGANIZATIONAL PURPOSE AND DETAILED MISSION

The BOCES is formed, pursuant to New York State Education Law, by two or more school districts and a supervisory district for the purpose of providing various educational services on a cooperative or shared basis which services would either be economically unfeasible or duplicative for each school district to provide for itself. The State Legislature created Boards of Cooperative Educational Services in 1948 to operate as an extension of the public-school system.

This BOCES is a cooperative association of eighteen school districts, encompassing a land area of over 2,500 square miles in Upstate New York with administration offices located in the Village of Canton.

Member school districts participate in specific programs and services on a cost-sharing basis. In addition, they are eligible for state aid for all services they contract. The services that BOCES offers cover a wide spectrum of public education:

- Consolidated educational services and shared personnel, such as occupational and physical therapists;
- Specialized curriculum, including career and technical education courses, and curriculum development;
- Administrative support personnel;
- Technological support, such as the distance learning network, which uses fiber-optic cables to electronically connect school districts for audiovisual communication;
- Regional planning and coordination, which includes services such as the School Library System (an automated, computerized interlibrary loan system), and other programs and events, including Odyssey of the Mind and grant writing coordination;
- Community resource services, such as programs for mentally and physically handicapped students, career education, and adult GED and job skill courses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

ORGANIZATIONAL PURPOSE AND DETAILED MISSION -

Continued

One of the unique aspects of the BOCES operation is the high degree of client representation in planning and decision-making. This involvement assures that new services are developed to meet the specific needs of the component schools while maintaining efficiency and allow school districts to utilize state BOCES aid.

The component school districts that comprise the BOCES are as follows:

Brasher Falls	Hammond	Massena
Canton	Harrisville	Morristown
Clifton-Fine	Hermon-DeKalb	Norwood-Norfolk
Colton-Pierrepoint	Heuvelton	Ogdensburg
Edwards-Knox	Lisbon	Parishville-Hopkinton
Gouverneur	Madrid-Waddington	Potsdam

FINANCIAL HIGHLIGHTS

The BOCES' total net position of governmental activities decreased \$3,536,591 during the fiscal year ended June 30, 2019, which represents a 1.94% decrease in net position from fiscal year ended June 30, 2018. The majority of this decrease can be attributed to the net expense of \$4,196,136 related to the BOCES' postemployment benefit obligation and related deferred outflows/inflows of resources.

Overall revenues of \$74,773,890 exceeded expenditures of \$70,810,636 by \$3,963,254 in the governmental fund financial statements.

On October 9, 2018, voters approved a \$43,500,000 capital project for additions and reconstruction of the BOCES career and technical education centers. Preliminary work has begun on the project in the 2019 fiscal year. A total of \$1,003,381 was expended in the Capital Projects Fund in 2018-2019 for work on the preliminary phases.

The fund balance of the BOCES has decreased slightly to \$2,797,577 in 2019 from \$3,285,308 in 2018.

Among major funds, the General Fund had \$66,324,652 in revenues compared to \$64,408,162 in expenditures in fiscal year 2019. The General Fund also reported a net transfer out to the Capital Projects Fund of \$505,000. The General Fund does not retain operating surplus and any excess monies are refunded in the subsequent fiscal year to the component school districts. The amount to be refunded for fiscal year 2019 is \$4,411,490, which is an increase of \$1,234,695 from fiscal year 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL HIGHLIGHTS - Continued

In 2018-19, the BOCES partnered with Cornell Cooperative Extension to deliver locally grown foods to 21 school districts as part of the Farm-to-School Project through NYS Department of Agriculture and Markets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the audited 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 fund financial statements concentrate on the BOCES' most significant funds with all other non-major funds listed in total in one column. The BOCES did not have any non-major funds in the current fiscal year.

The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with comparison of the BOCES' budget for the year.

Figure A-1 summarizes the major features of the BOCES' financial statements, including the portion of the BOCES activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

ST. LAWRENCE-LEWIS COUNTIES BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

Table A-1	Major Features of the BOCES-Wide and Fund Financial Statement		
		Fund Financial Statements	
	BOCES-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary funds)	The activities of the BOCES that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the BOCES administers resources on behalf of someone else, such as scholarship programs and student activities' monies
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. 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 focus
Type of Asset / Liability Information	All assets and liabilities, both financial and capital, short term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities 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	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 a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the BOCES' assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS - Continued

BOCES-Wide Statements - Continued

The two BOCES-wide statements report the BOCES' net position and how they have changed. Net position – the difference between the BOCES' assets and deferred outflows of resources and the BOCES' liabilities and deferred inflows of resources – is one way to measure the BOCES' financial health or position.

Over time, increases or decreases in the BOCES' net position is an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the BOCES' overall health, additional non-financial factors such as changes in the BOCES component districts' finances and the condition of school buildings and other facilities, need to be considered.

In the BOCES-wide financial statements, the BOCES' activities are shown as *Governmental Activities*. Most of the BOCES' basic services are included here, such as occupational and special education, instructional support and administration. Billings to component districts and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES' funds, focusing on its most significant "major" funds – not the BOCES' as a whole. Funds are accounting devices the BOCES' uses to keep track of specific sources of funding and spending on particular programs:

Some funds are required by State law and by bond covenants.

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).

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Fund Financial Statements

The BOCES has two kinds of funds:

Governmental Funds: Most of the BOCES' basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. 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.

Fiduciary Funds: The BOCES is the trustee, or fiduciary, for assets that belong to others, such as the St. Lawrence-Lewis Counties School District Employees Medical and Workers' Compensation Plan assets. 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.

FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial condition. In the case of the BOCES, liabilities and deferred inflows exceeded assets and deferred outflows by \$187,687,096 at the close of the most recent fiscal year. This represents a \$3,536,591 decrease in the Statement of Net Position. The overall deficit is largely due to the BOCES other postemployment benefit ("OPEB") liability. As of June 30, 2019, the OPEB liability was \$201,795,170 compared to \$187,953,018 reported at the close of the prior fiscal year. The overall decrease in net position in the current fiscal year is largely due to the net OPEB expense reported in the current year of \$4,196,136.

ST. LAWRENCE-LEWIS COUNTIES BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -

Continued

The following table presents a condensed statement of net position for the fiscal year ended June 30, 2019 and June 30, 2018, respectively:

Condensed Statement of Net Position

	June 30, 2019	June 30, 2018	% Change
ASSETS			
Current Assets	\$ 28,849,446	\$ 27,325,320	5.58%
Net Pension Asset - Proportionate Share	2,153,611	911,303	100.00%
Capital Assets, Net	27,299,630	27,462,826	-0.59%
TOTAL ASSETS	\$ 58,302,687	\$ 55,699,449	4.67%
DEFERRED OUTFLOWS OF RESOURCES			
Other Postemployment Benefits	\$ 9,162,351	\$ 3,912,746	134.17%
Pensions	12,893,900	14,773,278	-12.72%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 22,056,251	\$ 18,686,024	18.04%
LIABILITIES			
Current Liabilities	\$ 27,446,853	\$ 25,540,677	7.46%
Long-Term Debt Outstanding	213,129,438	200,386,120	6.36%
Net Pension Liability - Proportionate Share	2,283,625	958,646	138.21%
TOTAL LIABILITIES	\$ 242,859,916	\$ 226,885,443	7.04%
DEFERRED INFLOWS OF RESOURCES			
Other Postemployment Benefits	\$ 19,607,994	\$ 24,004,405	100.00%
Pensions	3,578,124	5,646,130	-36.63%
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 23,186,118	\$ 29,650,535	-21.80%
NET POSITION			
Net Investment in Capital Assets	16,131,045	15,148,275	6.49%
Restricted	2,997,950	3,036,256	-1.26%
Unrestricted (Deficit)	(204,816,091)	(200,335,036)	2.24%
TOTAL NET POSITION	\$ (185,687,096)	\$ (182,150,505)	1.94%

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -

Continued

By far, the largest portion of the BOCES' net position reflects its investment in capital assets (e.g., land and site improvements, buildings and fixtures, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The BOCES uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the BOCES' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition to assets, the *Statement of Net Position* reports a separate section for deferred outflows of resources. This 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. Included in deferred outflows of resources in the current year is \$12,893,900 related to the BOCES' participation in the NYS TRS and ERS pension systems and \$9,162,351 related to the BOCES' OPEB Plan.

In addition to liabilities, the *Statement of Net Position* or Balance Sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Included in deferred inflows of resources in the current year is \$3,578,124 related to the BOCES' participation in the NYS TRS and ERS pension systems, and \$19,607,994 related to the BOCES' OPEB Plan.

The BOCES' financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, actuary post-retirement health insurance valuation, and the depreciation of capital assets.

Changes in Net Position from Operating Results

The BOCES' total revenues for the fiscal year ended June 30, 2019 and June 30, 2018, were \$74,757,092 and \$71,253,474, respectively. The total cost of all programs and services was \$73,842,698 for the year ended June 30, 2019 and \$74,517,694 for the year ended June 30, 2018. The following table presents a summary of the changes in net position from operating results for the fiscal years ended June 30, 2019 and June 30, 2018, respectively:

ST. LAWRENCE-LEWIS COUNTIES BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -

Continued

Changes in Net Position from Operating Results - Continued

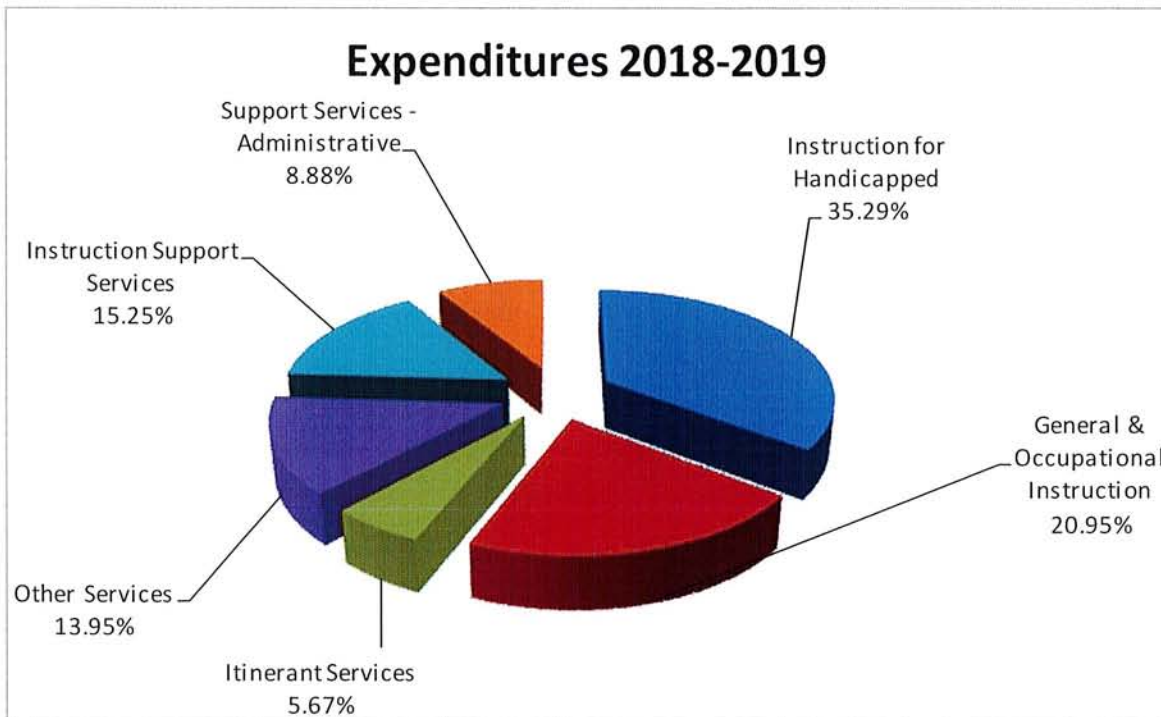
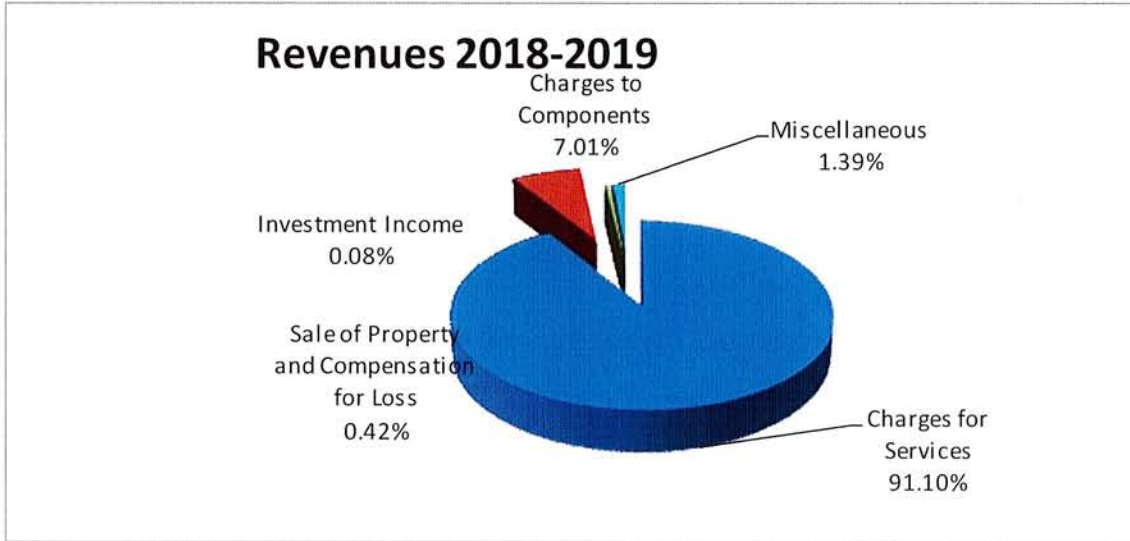
	June 30, 2019	June 30, 2018	% Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 68,104,747	64,555,619	5.50%
Operating Grants	5,232,680	4,970,133	5.28%
General Revenues			
Sale of Property & Compensation for Loss	316,278	274,879	15.06%
Investment Income	63,012	25,131	150.73%
Miscellaneous	1,040,375	1,427,712	-27.13%
Total Revenues	\$ 74,757,092	\$ 71,253,474	4.92%
Expenses:			
Instruction for Handicapped	\$ 26,056,919	\$ 26,039,651	0.07%
General & Occupational Instruction	15,473,595	16,094,408	-3.86%
Itinerant Services	4,186,976	4,204,912	-0.43%
Other Services	10,303,802	10,297,378	0.06%
Instruction Support Services	11,263,737	10,578,468	6.48%
Support Services - Administrative	6,557,669	7,302,877	-10.20%
Total Expenses	\$ 73,842,698	\$ 74,517,694	-0.91%
Change in Net Position	\$ 914,394	\$ (3,264,220)	-128.01%

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

FINANCIAL ANALYSIS OF THE BOCES FUNDS AS A WHOLE -

Continued



** Percentage may not add up to 100% due to rounding**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

BUDGETARY HIGHLIGHTS

Over the course of the year, the BOCES revised the annual revenue budget for student and program growth. In order to revise budgets, School Districts request the change in writing to the BOCES. The difference between the original budget and the final amended budget was 4.6%. The \$3,036,057 increase can be briefly summarized as follows:

	Original Budget	Final Budget	Increase (Decrease)
Administration	\$ 9,104,132	\$ 9,084,057	\$ (20,075)
Occupational Instruction	9,913,921	10,139,779	225,858
Instruction for Special Education	23,915,353	23,881,880	(33,473)
Itinerant Services	3,969,785	4,106,002	136,217
General Instruction	2,356,809	1,911,174	(445,635)
Instructional Support	7,457,815	9,858,225	2,400,410
Other Services	9,570,780	10,343,535	772,755
Total	\$ 66,288,595	\$ 69,324,652	\$ 3,036,057

Instructional Support saw the largest budget increase. This can be attributed to increased requests for professional development and technology relating to the Next Generation Learning Standards and Social and Emotional Learning (SEL) initiatives. Other Services increased due to district requests for more technology to implement many of the new instructional standards.

The table below shows how the actual expenditures compare to budget amounts:

	Final Budget	Actual Expenditures & Transfers	Variance
Administration	\$ 8,074,058	\$ 7,588,938	\$ 485,120
Occupational Instruction	10,139,779	9,914,622	225,157
Instruction for Special Education	23,881,880	21,491,268	2,390,612
Itinerant Services	4,106,003	3,841,389	264,614
General Instruction	1,911,171	1,842,565	68,606
Instructional Support	9,858,226	9,599,324	258,902
Other Services	10,343,535	9,625,056	718,479
Total	\$ 68,314,652	\$ 63,903,162	\$ 4,411,490

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

BUDGETARY HIGHLIGHTS - Continued

There were budget variances in several categories in 2018-2019. Special Education saw the largest variance with a positive amount of \$2,390,612 under budget. It should be noted that there is typically a variance in this category. Districts are able to modify their service requests for special education throughout the year. Budgets are set higher in order to provide stable tuition rates given the fluctuating enrollments.

ANALYSIS OF THE BOCES' FUNDS

General Fund

The General Fund had total expenditures (including net interfund transfers) of \$64,913,162 and total revenues of \$69,324,652. The General Fund does not retain surplus and any excess monies are refunded in the subsequent fiscal year to the component school districts. The amount to be refunded from the 2018-2019 budgets is \$4,411,490, which is an increase of \$1,234,695 from the previous fiscal year refund of \$3,176,795. A majority of this increase is attributable to the increased enrollments in special education.

The major portion of the General Fund expenditures goes directly to the Instruction for Special Education programs- \$21,491,268 (33.37%). Other major categories in the General Fund are General and Occupational Instruction - \$11,757,187 (18.25%), Other Services - \$9,625,056 (14.94%) and Instructional Support - \$9,599,324 (14.90%).

Charges to component districts comprise the largest portion of revenues in the General Fund. From 2018 to 2019, there was an increase of \$3,395,925, or 5.34%. in this category. This increase can be attributed to increased requests for special education services, technology and professional development. The General Fund also saw an increase in charges to other BOCES from 2018 to 2019 of \$153,869 or 15.92\$. A majority of this increase is due to the addition of districts from the Jefferson-Lewis-Hamilton BOCES into our Central School Food Management service.

The overall fund balance of the BOCES decreased in 2019 by \$487,731. The majority of this decrease can be attributed to the Capital Fund where the BOCES has begun preliminary work on the voter approved \$43,500,000 capital project. Expenditures in the current year of \$1,003,381 exceeded net interfund transfers of \$505,000 for a net decrease in Capital Projects fund balance of \$477,192.

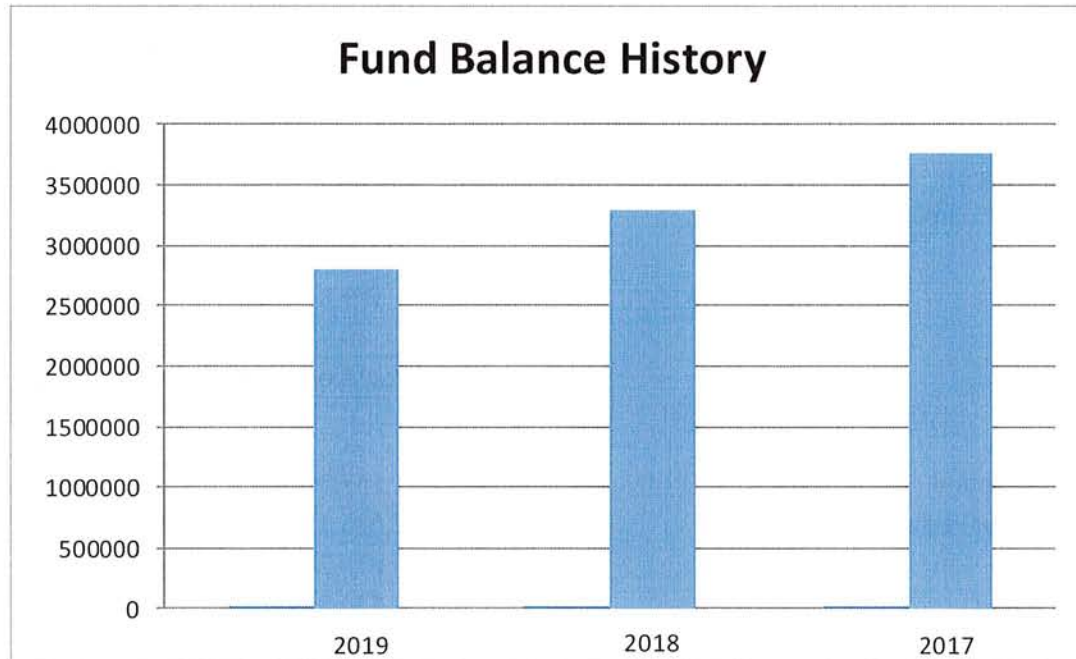
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

ANALYSIS OF THE BOCES' FUNDS - Continued

General Fund - Continued

Following is a chart showing the fund balance at year-end for the last three years:



Special Aid Fund

There was an increase in revenues from both state and federal sources from fiscal year 2018 to fiscal year 2019. This can be attributed to increased allocations in the WIOA Title 2 grants as well as new grant funding for a Learning Technology grant and Basic Literacy grant.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

ANALYSIS OF THE BOCES' FUNDS - Continued

Special Aid Fund - Continued

The table below shows the revenues and expenditures recorded in the Special Aid Fund for the fiscal years ended June 30, 2019 and 2018.

	2019	2018
Revenues:		
Charges for Services	\$ 467,524	423,714
Sale of Property & Compensation for Loss	10,335	9,263
Miscellaneous	2,629,577	2,678,009
State Sources	1,579,877	1,482,429
Federal Sources	740,736	622,696
Total Revenues	\$ 5,428,049	\$ 5,216,111
Expenses:		
Occupational Instruction	\$ 1,167,256	\$ 1,087,193
Instruction for Special Education	2,686,276	2,746,703
General Instruction	616,206	469,470
Instructional Support	780,568	733,261
Other Services	148,787	142,617
Total Expenses	\$ 5,399,093	\$ 5,179,244

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the BOCES had invested \$27,299,630 in capital assets, net of accumulated depreciation, including school buildings, site improvements, fixtures, vehicles, and office, computer and shop equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Continued

The following schedule presents changes in capital asset balances, net of depreciation, for the fiscal year ended June 30, 2019.

	Balance 6/30/2018	Additions	Retirements/ Reclassifications	Balance 6/30/2019
Land	\$ 576,295	\$ -	\$ -	\$ 576,295
Construction-in-Progress	-	1,003,381	-	1,003,381
Site Improvements	2,382,952	-	-	2,382,952
Buildings	30,836,815	-	-	30,836,815
Furniture and Equipment	7,711,156	875,208	(66,167)	8,520,197
Capital Leases	3,553,440	416,523	(876,871)	3,093,092
Less: Accumulated Depreciation	(17,597,832)	(2,413,536)	898,266	(19,113,102)
Total	\$ 27,462,826	\$ (118,424)	\$ (44,772)	\$ 27,299,630

Long-Term Debt

At year-end, the BOCES had \$216,854,287 in NYS Dormitory Authority Bonds, Installment Purchase Debt, and other long-term debt outstanding, of which \$1,441,224 is due within one year.

The following table presents a summary of changes in the BOCES' outstanding long-term debt for the fiscal year ended June 30, 2019:

	Balance 6/30/2018	Issues/ Increases	Reductions	Balance 6/30/2019
NYS Dormitory Authority	\$ 10,805,000	\$ -	\$ (995,000)	\$ 9,810,000
Municipal Lease	143,575	-	(143,575)	-
Installment Purchases	1,123,807	409,572	(393,167)	1,140,212
Compensated Absences	1,643,550	-	(36,643)	1,606,907
Premium on Bonds	242,169	-	(23,796)	218,373
Other Postemployment Benefits Liability	187,953,018	13,842,152	-	201,795,170
Net Pension Liability - Proportionate Share	958,646	1,324,979	-	2,283,625
Total	\$ 202,869,765	\$ 15,576,703	\$ (1,592,181)	\$ 216,854,287

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

Long-Term Debt - Continued

The BOCES carries a Moody's rating of "Aa3" currently, as a new general obligation debt exists.

State statutes currently limit the amount of general obligation debt a BOCES may issue to a maximum of the unencumbered constitutional debt limits remaining among the component districts. The current debt limitation for the BOCES is substantially more than the BOCES outstanding general obligation debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Student enrollment in the component districts has been decreasing at a rate of 1 % to 1½ % per year. This continuous decline in enrollment could negatively impact the enrollment in the BOCES programs over time.

The voters approved a \$43.5 million capital project on October 9, 2018. This project includes renovations and additions at the three technical centers. Plans have been submitted to SED for approval and construction is expected to begin in the spring of 2020. Financing will be through the Dormitory Authority of the State of New York.

Increases in health insurance premiums for the BOCES will continue to rise. The BOCES is a member of a health care consortium with the component school districts. It is anticipated that annual increases of 6-8% will continue.

Labor contracts with the Teachers' Association and Federation of Instructional Support Personnel have been settled. A major provision in both contracts was a change in health insurance coverage to rider 10, as well as increased employee contributions towards premiums.

The labor contract with the Non-Instructional Support Staff Association expired June 30, 2018. Both parties have participated in mediation sessions with no agreement reached. Future wage and benefit agreements are unknown at this time.

The uncertainty of federal and state funding can have a profound impact on the financial health of the component districts. There is the possibility that component districts will need to cut BOCES services in the future in order to balance their budgets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the resources it receives. If you have questions about this report or need additional information, contact:

Director of Financial Affairs
St. Lawrence-Lewis Board of Cooperative Educational Services
PO Box 231
40 West Main Street
Canton, New York 13617

ST. LAWRENCE-LEWIS COUNTIES BOCES

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

June 30, 2019

ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 10,182,812
Restricted	2,696,806
Investments	
Restricted	1,493,697
Receivables	
State and Federal Aid	11,219,072
E-rate Receivable	190,874
Due from Other Governments	279,241
Due from Fiduciary Funds	185
Other Receivables	2,772,488
Prepaid Expenditures	14,271
Net Pension Asset - Proportionate Share	2,153,611
Capital Assets, Net	27,299,630
TOTAL ASSETS	<u><u>\$ 58,302,687</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Other Postemployment Benefits	\$ 9,162,351
Pensions	12,893,900
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 22,056,251</u></u>
LIABILITIES	
Payables	
Accounts Payable	\$ 1,454,066
Accrued Liabilities	347,431
Due to Other Governments	50,720
Due to Teachers' Retirement System	2,307,734
Due to Employees' Retirement System	420,412
Due to School Districts	14,778,953
Bond Interest and Principal Payable, Net of Prepaid Interest	1,146,313
Notes Payable	
Revenue Anticipation	5,500,000
Long-Term Liabilities	
Due and Payable Within One Year	
Bonds Payable, Net of Unamortized Premiums	1,058,796
Installment Purchase Debt Payable	382,428
Due and Payable After One Year	
Bonds Payable, Net of Unamortized Premiums	8,969,577
Installment Purchase Debt Payable	757,784
Compensated Absences Payable	1,606,907
Other Postemployment Benefits Payable	201,795,170
Net Pension Liability - Proportionate Share	2,283,625
TOTAL LIABILITIES	<u><u>\$ 242,859,916</u></u>
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	\$ 19,607,994
Pensions	3,578,124
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 23,186,118</u></u>
NET POSITION	
Net Investment in Capital Assets	\$ 16,131,045
Restricted for	
Debt Service	301,144
Other Legal Restrictions	2,696,806
Unrestricted (Deficit)	(204,816,091)
TOTAL NET POSITION	<u><u>\$ (185,687,096)</u></u>

See notes to audited basic financial statements.

ST. LAWRENCE-LEWIS COUNTIES BOCES

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
Administration	\$ 6,557,669	\$ 8,883,132	\$ -	\$ 2,325,463
Occupational Instruction	12,603,894	9,787,533	1,115,198	(1,701,163)
Instruction for Special Education	26,056,919	23,795,694	2,519,985	258,760
Itinerant Services	4,186,976	4,083,499	-	(103,477)
General Instruction	2,869,701	1,660,104	894,316	(315,281)
Instructional Support	11,263,737	9,710,126	554,394	(999,217)
Other Services	10,303,802	10,184,659	148,787	29,644
Total Functions and Programs	<u>\$ 73,842,698</u>	<u>\$ 68,104,747</u>	<u>\$ 5,232,680</u>	<u>(505,271)</u>
GENERAL REVENUES				
Use of Money and Property				63,012
Gain on Disposition of Property				316,278
Miscellaneous				1,040,375
Total General Revenues				<u>1,419,665</u>
Other Changes in Net Position				<u>(4,450,985)</u>
Change in Net Position				<u>(3,536,591)</u>
Net Position - Beginning of Year				<u>(182,150,505)</u>
Net Position - End of Year				<u>\$ (185,687,096)</u>

See notes to audited basic financial statements.

ST. LAWRENCE-LEWIS COUNTIES BOCES

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2019

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 9,978,103	\$ 119,939	\$ 84,770	\$ 10,182,812
Restricted	2,386,182	-	310,624	2,696,806
Investments				
Restricted	1,192,553	-	301,144	1,493,697
Receivables				
State and Federal Aid	10,367,463	851,609	-	11,219,072
E-Rate	190,874	-	-	190,874
Due from Other Governments	46	279,195	-	279,241
Due from Other Funds	1,140,571	-	43,211	1,183,782
Due from Fiduciary Funds	185	-	-	185
Other	2,756,226	16,262	-	2,772,488
Prepaid Expenditures	14,271	-	-	14,271
TOTAL ASSETS	\$ 28,026,474	\$ 1,267,005	\$ 739,749	\$ 30,033,228
LIABILITIES				
Payables				
Accounts Payable	\$ 1,084,003	\$ 57,151	\$ 312,912	\$ 1,454,066
Accrued Liabilities	293,881	53,550	-	347,431
Due to Other Governments	5,274	45,446	-	50,720
Due to Other Funds	43,211	1,140,571	-	1,183,782
Due to Teachers' Retirement System	2,307,734	-	-	2,307,734
Due to Employees' Retirement System	420,412	-	-	420,412
Due to School Districts	14,778,953	-	-	14,778,953
Bond Interest and Principal Payable	1,192,553	-	-	1,192,553
Note Payable				
Revenue Anticipation	5,500,000	-	-	5,500,000
Total Liabilities	25,626,021	1,296,718	312,912	27,235,651
FUND BALANCES (DEFICIT)				
Nonspendable	14,271	-	-	14,271
Restricted	2,386,182	-	611,768	2,997,950
Unassigned (Deficit)	-	(29,713)	(184,931)	(214,644)
Total Fund Balances (Deficit)	2,400,453	(29,713)	426,837	2,797,577
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,026,474	\$ 1,267,005	\$ 739,749	\$ 30,033,228

See notes to audited basic financial statements.

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

June 30, 2019

Total Fund Balance - Governmental Funds \$ 2,797,577

Amounts reported for governmental activities in the Statement of Net Position are different because:

Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.

Net Pension Asset - Proportionate Share - TRS	2,153,611
Net Pension Liability - Proportionate Share - ERS	(2,283,625)

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	\$ 19,607,994	
Pensions	<u>3,578,124</u>	(23,186,118)

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	\$ 9,162,351	
Pensions	<u>12,893,900</u>	22,056,251

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:

The Cost of Capital Assets is	\$ 46,412,732	
Accumulated Depreciation is	<u>(19,113,102)</u>	27,299,630

Unamortized premiums on bond issuances are not recognized in the governmental funds. (218,373)

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION - CONTINUED

June 30, 2019

Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the fund statements. Long-term liabilities, at year end, consist of:

Bonds Payable	\$ 9,810,000	
(Prepaid) Interest on Bonds Payable	(46,240)	
Installment Purchase Debt Payable	1,140,212	
Compensated Absences Payable	1,606,907	
Other Postemployment Benefits Payable	<u>201,795,170</u>	<u>(214,306,049)</u>
Total Net Position - Governmental Activities		<u><u>\$ (185,687,096)</u></u>

ST. LAWRENCE-LEWIS COUNTIES BOCES

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Year Ended June 30, 2019

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Charges for Services	\$ 10,901	\$ 467,524	\$ -	\$ 478,425
Charges to Components	66,973,358	-	-	66,973,358
Charges to Other BOCES	1,120,488	-	-	1,120,488
Use of Money and Property	41,823	-	21,189	63,012
Sale of Property and Compensation for Loss	305,943	10,335	-	316,278
Miscellaneous	872,139	2,629,577	-	3,501,716
State Sources	-	1,579,877	-	1,579,877
Federal Sources	-	740,736	-	740,736
Total Revenues	<u>69,324,652</u>	<u>5,428,049</u>	<u>21,189</u>	<u>74,773,890</u>
EXPENDITURES				
Administration	8,093,938	-	-	8,093,938
Occupational Instruction	9,914,622	1,167,256	-	11,081,878
Instruction for Special Education	21,491,268	2,686,276	-	24,177,544
Itinerant Services	3,841,389	-	-	3,841,389
General Instruction	1,842,565	616,206	-	2,458,771
Instructional Support	9,599,324	780,568	-	10,379,892
Other Services	9,625,056	148,787	-	9,773,843
Capital Outlay	-	-	1,003,381	1,003,381
Total Expenditures	<u>64,408,162</u>	<u>5,399,093</u>	<u>1,003,381</u>	<u>70,810,636</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,916,490</u>	<u>28,956</u>	<u>(982,192)</u>	<u>3,963,254</u>
OTHER FINANCING SOURCES AND (USES)				
Operating Transfers In	20,000	-	525,000	545,000
Operating Transfers (Out)	<u>(525,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>(545,000)</u>
Total Other Financing Sources and (Uses)	<u>(505,000)</u>	<u>-</u>	<u>505,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	<u>4,411,490</u>	<u>28,956</u>	<u>(477,192)</u>	<u>3,963,254</u>
OTHER CHANGES IN FUND BALANCES				
Refund of Surplus Unpaid	(4,411,490)	-	-	(4,411,490)
Employee Benefit Accrued Liability	(12,709)	-	-	(12,709)
Reserve for Unemployment Insurance	(26,786)	-	-	(26,786)
Plus - Encumbrance, Ending	-	-	-	-
Less - Encumbrances, Beginning	-	-	-	-
Total Other Changes in Fund Balances	<u>(4,450,985)</u>	<u>-</u>	<u>-</u>	<u>(4,450,985)</u>
Net Change in Fund Balances	(39,495)	28,956	(477,192)	(487,731)
Fund Balances (Deficit) - Beginning of Year	<u>2,439,948</u>	<u>(58,669)</u>	<u>904,029</u>	<u>3,285,308</u>
Fund Balances (Deficit) - End of Year	<u>\$ 2,400,453</u>	<u>\$ (29,713)</u>	<u>\$ 426,837</u>	<u>\$ 2,797,577</u>

See notes to audited basic financial statements.

ST. LAWRENCE-LEWIS COUNTIES BOCES

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

Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds **\$ (487,731)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, assets with an initial, individual cost of more than \$5,000 are capitalized and in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and loss on disposals exceeded capital outlays in the current period.

Capital Outlays	\$	2,295,112	
Loss on Disposals		(44,772)	
Depreciation Expense		<u>(2,413,536)</u>	(163,196)

Repayment of bond principal and incurrence of new debt is recorded as an expenditure/receipt in the governmental funds, but not in the Statement of Activities. 1,122,170

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The following items resulted in decreased interest expense being reported on the Statement of Activities:

Increase in Prepaid Interest	\$	21,906	
Amortization of Bond Premium		<u>23,796</u>	45,702

On the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay), special termination benefits (early retirement) -- are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 36,643

On the Statement of Activities, the actual and projected long-term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the governmental funds only the actual expenditures are recorded for postemployment benefits. (4,196,136)

(Increases) decreases in proportionate share of net pension asset (liability) and related deferred outflows/inflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	\$	373,295	
Employees' Retirement System		<u>(267,338)</u>	<u>105,957</u>

Change in Net Position of Governmental Activities **\$ (3,536,591)**

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	Agency
ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 185
Restricted	<u>24,593,339</u>
Total Assets	<u><u>\$ 24,593,524</u></u>
LIABILITIES	
Due to Governmental Funds	\$ 185
Due to Others -Workers Comp/Medical Plans	<u>24,593,339</u>
Total Liabilities	<u><u>\$ 24,593,524</u></u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of St. Lawrence-Lewis Counties BOCES (the 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 used by the BOCES are described below:

Reporting Entity

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 vocational and special education. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs that 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 18 school districts in New York’s St. Lawrence and Lewis Counties:

Brasher Falls CSD	Canton CSD
Clifton-Fine CSD	Colton-Pierrepoint CSD
Edwards-Knox CSD	Gouverneur CSD
Hammond CSD	Harrisville CSD
Hermon-DeKalb CSD	Heuvelton CSD
Lisbon CSD	Madrid-Waddington CSD
Massena CSD	Morristown CSD
Norwood-Norfolk CSD	Ogdensburg City SD
Parishville-Hopkinton CSD	Potsdam CSD

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

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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, no component units are included in the BOCES' reporting entity.

Basis of Presentation

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 State and Federal aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The *Statement of Net Position* presents the financial position of the BOCES at fiscal year-end. The *Statement of Activities* presents a comparison between direct expenses and 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 or 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 are presented as general revenues.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Continued

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 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.

Special Aid Fund: Used to account for proceeds received from Federal and State grants that are restricted for specific educational programs.

Capital Projects Fund: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

The BOCES reports the following fiduciary funds:

Fiduciary Funds: 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.

The BOCES only uses one class of fiduciary funds:

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 the St. Lawrence-Lewis Counties School District Employees Workers' Compensation Plan and Medical Plan and for payroll or employee withholding.

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

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. Non-exchange transactions, in which the BOCES gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. Revenue from grants and donations is 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 collectible within sixty days 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 financing sources.

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.

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 expenditures and revenues to provide financing or other services.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Transactions - Continued

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 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

Cash and Cash Equivalents

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE I – SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments are stated at amortized cost.

Accounts Receivable

Accounts receivables 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.

Prepaid Items

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.

The BOCES' reported prepaid items totaling \$14,271 in the General Fund which represents the BOCES contribution to the School and Municipal Energy Cooperative of WNY ("SMEC"). Contributions made by member districts are recorded by SMEC as a current liability, and members are allocated a share of the organization's net assets based on each participant's share of premiums paid for that year.

Other Assets/Restricted Assets

In the BOCES-wide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

Capital Assets

Capital assets are reported at actual cost or estimated historical costs based on an average of tax assessed value and insurance appraised values were used. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE I – SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

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:

	Capitalization Threshold	Depreciation Model	Estimated Useful Life
Site Improvements	\$5,000	Straight-line	10-20
Buildings	5,000	Straight-line	15-50
Furniture & Equipment	5,000	Straight-line	3-15
Capital Leases	5,000	Straight-line	2-5

The BOCES does not possess any infrastructure.

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. This 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 and Other Postemployment Benefit (OPEB) reported in the BOCES-wide Statement of Net Position. The deferred outflows of resources related to pensions 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. The deferred outflows of resources related to OPEB represents the effect of the differences between expected and actual experience, and changes of assumptions or other inputs. The second item is the BOCES' contributions to the New York State Teachers' and Employees' pension systems and to OPEB plan subsequent to the measurement date.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows and Inflows of Resources - Continued

In addition to liabilities, the *Statement of Net Position* or Balance Sheet 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 or fund balance 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 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 periods between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the BOCES-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Unearned Revenue

The BOCES reports unearned revenue 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 the revenue is recognized.

Vested Employee Benefits

Compensated Absences

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Vested Employee Benefits - Continued

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 fund 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.

Other Benefits

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

BOCES employees may choose to participate in the BOCES' elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the BOCES provides postemployment 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.

Short-Term Debt

The BOCES may issue Revenue Anticipation Notes (RAN) 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 RAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The BOCES may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Short-Term Debt - Continued

The BOCES may issue Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

The BOCES may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year in which they were issued.

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 full, in a timely manner, from current financial resources. Claims and judgments, other postemployment benefits payable, and compensated absences that will be paid from governmental funds are reported as a liability in the fund 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.

Equity Classifications

BOCES-Wide Statements

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

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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Equity Classifications - Continued

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, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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:

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 SMEC contributions of \$14,271 recorded in the General Fund.

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:

Employee Benefit Accrued Liability

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. 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.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Equity Classifications - Continued

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 sixty 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.

Advanced Technical Equipment

The reserve is authorized by §1950(4)(ee) of the Education Law. The reserve is established by the Board and a vote of a majority of the Boards of the participating districts. The purpose of the reserve is to purchase advanced technology equipment to be used for instruction in state approved careers and technical education. All purchases are subject to approval by the Commission of Education. The maximum amount that may be retained in the reserve is equal to the greatest of 20% of the current career education services budget or \$500,000, provided the total amount shall not exceed \$2,000,000. Any amounts remaining in the reserve at time of liquidation shall be distributed to the participating districts within 90 days. This reserve is accounted for in the Capital Projects Fund.

Restricted Fund Balance includes the following:

General Fund	
Employee Benefit Accrued Liability	\$ 857,516
Retirement Contributions	682,317
Unemployment Insurance	846,349
Capital Projects Fund	
Advanced Technical Equipment	310,624
Debt Reserve - DASNY	301,144
Total Restricted Funds	<u>\$ 2,997,950</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Equity Classifications – Continued

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, 2019.

Assigned - Includes amounts that are constrained by the BOCES’ intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

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 and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

Order of Use of Fund Balance

The BOCES’ policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

New Accounting Standards

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2019, the BOCES implemented the following new statements issued by GASB:

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2021.

GASB has issued Statement No. 90, *Majority Equity Interests- an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2020.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022.

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.

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the BOCES' governmental funds differ 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, as applied to the reporting of capital assets and long-term liabilities, including pensions and other postemployment benefits payable.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

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

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 five broad categories. The amounts shown below represent:

1. 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.

2. 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.

3. Long-Term Debt Transactions 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.

4. 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.

5. OPEB Differences:

OPEB differences occur as a result of changes in the BOCES’ total OPEB liability and differences between the BOCES’ contribution and OPEB expense

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND
ACCOUNTABILITY**

Budgets

Section 1950 of the Education Law requires adoption of final budget by no later than May 15th of the ensuing year.

BOCES administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of the BOCES board for the General Fund.

Appropriations for educational services are adopted at the program level.

A tentative administrative budget is provided to the component BOCES 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.

Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. The BOCES Board can approve supplementary appropriations based upon requests for additional services and surplus revenues. See the supplemental information schedule "*Change from Adopted Budget to Final Budget*" for supplementary appropriations during the current year.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital projects funds expenditures as approved by the component districts. The maximum project amounts authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred, or the commitment is paid.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Other

The Special Aid Fund shows an unassigned deficit fund balance of \$29,713. This deficit results mostly from accumulation of unfunded expenditures relating to the Beginning Years Programs.

The Capital Projects Fund shows an unassigned deficit fund balance of \$184,931. This deficit will be funded when the BOCES obtains permanent financing for its construction project.

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

Cash

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	\$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the BOCES' name.	\$ 38,861,610

Deposits at year-end were fully collateralized.

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 \$2,696,806 within the governmental funds and \$24,593,339 in the fiduciary fund.

The BOCES does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The BOCES does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 5 – INVESTMENTS

The BOCES considers all highly liquid investments (including restricted assets) with original maturities of one year or less when purchased to be cash equivalents. The BOCES' investment policy for these investments is also governed by New York State statutes.

Total investments as of year-end were valued at an amortized cost of \$1,192,553 in the General Fund and \$301,144 in the Capital Projects Fund. Investments consist of United States Treasury Strips and are carried at amortized costs due to remaining maturities at time of purchase of one year or less.

NOTE 6 – CAPITAL ASSETS

Capital asset balances and activity were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 576,295	\$ -	\$ -	\$ 576,295
Construction-in-Progress	-	1,003,381	-	1,003,381
Total Nondepreciable Assets	<u>576,295</u>	<u>1,003,381</u>	<u>-</u>	<u>1,579,676</u>
Capital Assets That Are Depreciated:				
Site Improvements	2,382,952	-	-	2,382,952
Buildings & Improvements	30,836,815	-	-	30,836,815
Furniture and Equipment	7,711,156	875,208	(66,167)	8,520,197
Capital Leases	3,553,440	416,523	(876,871)	3,093,092
Total Depreciable Assets	<u>44,484,363</u>	<u>1,291,731</u>	<u>(943,038)</u>	<u>44,833,056</u>
Less: Accumulated Depreciation				
Site Improvements	821,233	112,876	-	934,109
Buildings & Improvements	8,888,666	887,124	-	9,775,790
Furniture and Equipment	5,828,172	593,213	(61,686)	6,359,699
Capital Leases	2,059,761	820,323	(836,580)	2,043,504
Total Accumulated Depreciation	<u>17,597,832</u>	<u>2,413,536</u>	<u>(898,266)</u>	<u>19,113,102</u>
Total Depreciable Assets, Net	<u>26,886,531</u>	<u>(1,121,805)</u>	<u>(44,772)</u>	<u>25,719,954</u>
Capital Assets, Net	<u>\$ 27,462,826</u>	<u>\$ (118,424)</u>	<u>\$ (44,772)</u>	<u>\$ 27,299,630</u>

ST. LAWRENCE-LEWIS COUNTIES BOCES

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 6 – CAPITAL ASSETS - Continued

Depreciation expense was charged to governmental functions as follows:

Administrative	\$ 24,643
Occupational Instruction	804,092
Instruction for Special Education	63,147
Itinerant Services	2,755
General Instruction	231,896
Instructional Support	1,188,994
Other Services	98,009
	<hr/>
Total Depreciation Expense	<u><u>\$ 2,413,536</u></u>

NOTE 7 – SHORT-TERM DEBT

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

		Stated				
	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
RAN	6/21/2019	2.75%	\$ 5,500,000	\$ -	\$ 5,500,000	\$ -
RAN	6/19/2020	2.25%	-	5,500,000	-	5,500,000
			<hr/>	<hr/>	<hr/>	<hr/>
			\$ 5,500,000	\$ 5,500,000	\$ 5,500,000	\$ 5,500,000

Interest on short-term debt for the year was composed of:

Interest Paid	\$ 150,830
Less: Interest Accrued in the Prior Year	-
Plus: Interest Accrued in the Current Year	-
	<hr/>
Total Interest on Short-Term Debt	<u><u>\$ 150,830</u></u>

The RAN was issued in anticipation of the collection of Federal and State aid receivables.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 – LONG-TERM DEBT OBLIGATIONS

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

Governmental Activities	Beginning Balances	Additions	Reductions	Ending Balances	Amount Due Within One Year
Bonds and Notes Payable					
General Obligation Debt					
Municipal Lease Obligation	\$ 143,575	\$ -	\$ 143,575	\$ -	\$ -
NYS Dormitory Authority					
Bonds	10,805,000	-	995,000	9,810,000	1,035,000
Premium on Bonds	242,169	-	23,796	218,373	23,796
Lease - Purchase Obligations	1,123,807	409,572	393,167	1,140,212	382,428
Total Bonds & Notes Payable	<u>12,314,551</u>	<u>409,572</u>	<u>1,555,538</u>	<u>11,168,585</u>	<u>1,441,224</u>
Other Liabilities					
Compensated Absences Payable	1,643,550	-	36,643	1,606,907	-
Other Postemployment					
Benefits Liability	187,953,018	13,842,152	-	201,795,170	-
Net Pension Liability -					
Proportionate Share	958,646	1,324,979	-	2,283,625	-
Total Other Liabilities	<u>190,555,214</u>	<u>15,167,131</u>	<u>36,643</u>	<u>205,685,702</u>	<u>-</u>
Total Governmental Activities	<u>\$ 202,869,765</u>	<u>\$ 15,576,703</u>	<u>\$ 1,592,181</u>	<u>\$ 216,854,287</u>	<u>\$ 1,441,224</u>

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

Existing serial and statutory bond obligations:

Description	Issue Date	Final Maturity	Stated Interest Rate (%)	Balance
NYS Dormitory Authority Bonds - 2011	07/22/11	08/15/30	2.5-5.625%	\$ 4,505,000
NYS Dormitory Authority Bonds - 2015	06/10/15	08/15/26	2-5%	<u>5,305,000</u>
				<u>\$ 9,810,000</u>

ST. LAWRENCE-LEWIS COUNTIES BOCES

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 – LONG-TERM DEBT OBLIGATIONS - Continued

The following is a summary of debt service requirements for the year-end June 30:

	Principal	Interest	Total
2020	\$ 1,035,000	\$ 358,456	\$ 1,393,456
2021	1,060,000	333,694	1,393,694
2022	1,085,000	307,888	1,392,888
2023	1,115,000	279,100	1,394,100
2024	1,150,000	241,369	1,391,369
2025-2029	3,840,000	606,681	4,446,681
Thereafter	525,000	29,531	554,531
 Total	\$ 9,810,000	\$ 2,156,719	\$ 11,966,719

Interest on long-term debt for the year was composed of:

Interest Paid	\$ 399,843
Plus: Interest Prepaid in the Prior Year	24,334
Less: Interest Prepaid in the Current Year	(46,240)
 Total Interest on Long-Term Debt	 \$ 377,937

The following is a summary of capital lease obligations for the year ended June 30, 2019:

2020	\$ 382,428
2021	329,798
2022	263,426
2023	205,756
2024	69,968
Total Minimum Lease Payments	1,251,376
Less Amount Representing Interest	(111,164)
Total	\$ 1,140,212

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS

General Information

The BOCES participates in the New York State Teachers' Retirement System (NYSTRS) and the New York State Employees' Retirement System (NYSERS). These are cost-sharing multiple employer public employee defined benefit 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.

Teachers' Retirement System (TRS) Plan Description

The 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 NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

Employees' Retirement System (ERS) Plan Description

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.

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

TRS Benefits Provided - Continued

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

TRS Benefits Provided - Continued

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits vest after 5 years of credited service except for Tier 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

Prior Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

TRS Benefits Provided - Continued

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of annual benefit. The applicable percentage payable beginning September 2018 is 1.2%. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

ERS Benefits Provided

Benefits

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

ERS Benefits Provided - Continued

Tier 1 and 2

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

ERS Benefits Provided - Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous four years.

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

ERS Benefits Provided - Continued

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regard less of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one- half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 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 TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The BOCES paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. (The BOCES chose to prepay the required contributions by December 15, 2018 and received an overall discount of \$9,811).

The BOCES' share of the required contributions, based on covered payroll paid for the current and two preceding years were:

	NYSTRS	NYSERS
2018-2019	\$ 1,901,178	\$ 1,155,106
2017-2018	2,226,686	1,152,097
2016-2017	2,481,242	1,116,579

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

Funding Policies - Continued

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 ended 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 exercised.

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

At June 30, 2019, 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, 2019 for ERS and June 30, 2018 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.

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
BOCES' Proportionate Share of the Net Pension Asset (Liability)	\$ (2,283,625)	\$ 2,153,611
BOCES' Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0322304%	0.119098%
Change in Proportion (%) Since the Prior Measurement Date	0.0025275%	-0.000795%

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

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

For the year ended June 30, 2019, the BOCES' recognized pension expense (credit) of \$267,338 for ERS and \$(373,295) for TRS. At June 30, 2019, the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 449,694	\$ 1,609,376	\$ 153,295	\$ 291,521
Changes of Assumptions	574,010	7,528,284	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	586,104	2,390,673
Changes in Proportion and Differences Between the BOCES' Contributions and Proportionate Share of Contributions	138,639	118,916	116,385	40,146
BOCES' Contributions Subsequent to the Measurement Date	420,412	2,054,569	-	-
Total	<u>\$ 1,582,755</u>	<u>\$ 11,311,145</u>	<u>\$ 855,784</u>	<u>\$ 2,722,340</u>

BOCES' contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset (liability) in the year ended June 30, 2020, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	ERS	TRS
2020	\$ 470,440	\$ 2,169,078
2021	(443,433)	1,476,030
2022	(34,330)	165,003
2023	313,882	1,470,956
2024	-	1,010,000
Thereafter	-	243,169

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

Actuarial Assumptions

The total pension asset (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 asset (liability) to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Actuarial Valuation Date	April 1, 2018	June 30, 2017
Interest Rate	7.00%	7.25%
Salary Scale	4.2%	1.9% - 4.72%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation Rate	2.5%	2.25%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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 weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

Actuarial Assumptions - Continued

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are as follows:

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Asset Type		
Domestic Equity	4.55%	5.80%
International Equity	6.35%	7.30%
Private Equity	7.50%	8.90%
Global Equity		6.70%
Real Estate	5.55%	4.90%
Absolute Return Strategies	3.75%	
Opportunistic Portfolio	5.68%	
Real Assets	5.29%	
Bonds and Mortgages	1.31%	
Cash	-0.25%	
Inflation - Indexed Bonds	1.25%	
Private Debt		6.80%
Real Estate Debt		2.80%
Domestic Fixed Income Securities		1.30%
Global Fixed Income Securities		0.90%
Short-Term		0.30%
High-Yield Fixed Income Securities		3.50%

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 7.00% for ERS and 7.25% 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 determined. 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 asset (liability).

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

Sensitivity of the Proportionate Share of the Net Pension Asset (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 7.00% for ERS and 7.25% 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 (6.00% for ERS and 6.25% for TRS) or 1-percentage point higher (8.00% for ERS and 8.25% for TRS) than the current rate:

ERS	1% Decrease (6.00%)	Current Assumption (7.00%)	1% Increase (8.00%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (9,984,374)	\$ (2,283,625)	\$ 4,185,550

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (14,795,661)	\$ 2,153,611	\$ 16,352,391

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)		
	ERS	TRS	Total
Measurement Date	March 31, 2019	June 30, 2018	
Employer's Total Pension Asset (Liability)	\$ (189,803,429)	\$ (118,107,254)	\$ (307,910,683)
Plan Net Position	182,718,124	119,915,518	302,633,642
Employer's Net Pension Asset (Liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>	<u>\$ (5,277,041)</u>
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	96.27%	101.53%	

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 – PENSION PLANS - Continued

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, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$420,412. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 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, 2019 amounted to \$2,307,734.

NOTE 10 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

Interfund balances at June 30, 2019 are as follows:

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 1,140,756	\$ 43,211	\$ 20,000	\$ 525,000
Special Aid	-	1,140,571	-	-
Capital Projects	43,211	-	525,000	20,000
Total Governmental Funds	<u>1,183,967</u>	<u>1,183,782</u>	<u>545,000</u>	<u>545,000</u>
Fiduciary	-	185	-	-
Total	<u><u>\$ 1,183,967</u></u>	<u><u>\$ 1,183,967</u></u>	<u><u>\$ 545,000</u></u>	<u><u>\$ 545,000</u></u>

The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advanced funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs. Unexpended funds from a capital project are transferred to the debt service fund upon completion.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 11 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances (deficits) of the BOCES at June 30, 2019:

Fund Balances (Deficits)	General	Special Aid	Capital Projects	Total Governmental Funds
Nonspendable	\$ 14,271	\$ -	\$ -	\$ 14,271
Restricted				
Employee Benefit Accrued Liability	857,516	-	-	857,516
Retirement Contributions	682,317	-	-	682,317
Unemployment Insurance	846,349	-	-	846,349
Advanced Technical Equipment	-	-	310,624	310,624
Debt Reserve - DASNY	-	-	301,144	301,144
Unassigned (Deficit)				
Capital Projects			(184,931)	(184,931)
Special Aid	-	(29,713)	-	(29,713)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Fund Balances (Deficits)	<u>\$2,400,453</u>	<u>\$ (29,713)</u>	<u>\$ 426,837</u>	<u>\$ 2,797,577</u>

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS**

General Information about the OPEB Plan

Plan Description – The BOCES’ defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the BOCES. The plan is a single-employer defined benefit OPEB plan administered by the BOCES. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The BOCES provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the BOCES offices and are available upon request.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

General Information about the OPEB Plan - Continued

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	391
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	555
Total Covered Employees	946

The BOCES provides two self-insured traditional indemnity plans to eligible retirees and dependents through the St. Lawrence-Lewis Health Care Consortium (the Plan). The Plan allows eligible BOCES’ employees and spouses to continue health coverage upon retirement. Separate financial statements are issued for the Plan.

All active employees and retirees are subject to the following eligibility and contribution requirements:

Administration

- Eligibility for postretirement benefits for NYS TRS and NYS ERS employees requires a minimum age of 55 with at least 10 years of service with the BOCES or one of its component districts.
- All retirees who retire prior to 7/1/2017 are required to contribute 0% of the individual premium. All retirees who retire on or after 7/1/2017 are required to contribute 10% of the individual plan premium amount.
- All spouses are required to contribute 75% of the difference between the individual and family premiums.
- Surviving spouses may only continue coverage through COBRA for 18 months.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS - Continued**

General Information about the OPEB Plan - Continued

Federation

- NYS TRS members retiring on or after 7/1/2022 must have at least 10 years of continuous service with the BOCES. All other members retiring prior to 7/1/2022 must be at least age 55 with at least 5 years of service to be eligible for the BOCES postemployment health plan.
- All retirees are required to contribute 0% of the individual premium.
- All spouses are required to contribute 75% of the difference between the individual and family premiums.
- Surviving spouses may only continue coverage through COBRA for 18 months.

Support Staff

- NYS ERS employees must be at least age 55 with at least 10 years of service with the BOCES to be eligible for the BOCES postemployment health plan.
- All retirees who retire prior to 7/1/2017 are required to contribute 0% of the individual premium. All retirees who retire on or after 7/1/2017 are required to contribute 5% of the individual plan premium amount.
- All spouses are required to contribute 75% of the difference between the individual and family premiums.
- Surviving spouses may only continue coverage through COBRA for 18 months.

Teachers

- NYS TRS employees must be at least age 55 with at least 10 years of service with the BOCES to be eligible for the BOCES postemployment health plan.
- All retirees are required to contribute 0% of the individual premium.
- All spouses are required to contribute 75% of the difference between the individual and family premiums.
- Surviving spouses may only continue coverage through COBRA for 18 months.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

General Information about the OPEB Plan - Continued

The BOCES reimburses the full Medicare Part B amount for all retirees and dependents eligible for postemployment health insurance benefits. Surviving spouses do not receive reimbursements.

The BOCES recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2019, the BOCES recognized \$4,884,917 for its share of insurance premiums for currently retired employees.

Total OPEB Liability

The BOCES has obtained an actuarial valuation report as of June 30, 2019 which indicates that the total liability for other postemployment benefits is \$201,795,170 which is reflected in the Statement of Net Position. The OPEB liability was measured as of July 1, 2018 and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Measurement Date	07/01/18
Rate of Compensation Increase	3.00%
Inflation Rate	2.20%
Discount Rate	3.87%

Assumed Medical Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.50%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	3.94%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2089

Additional Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (in Years)	6.54
Method used to determine Actuarial Value of Assets	N/A

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Total OPEB Liability - Continued

The discount rate was based on the Bond Buyer Weekly 20-Bond Go Index as of July 1, 2018.

Mortality rates were based on the sex-distinct RPH-2014 Mortality Tables for employees and healthy annuitants, adjusted backwards to 2006 with scale MP-2014, and then projected forward with scale MP-2018.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2018.

Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 187,953,018
Changes for the Year	
Service Cost	6,113,323
Interest	6,915,960
Changes in Benefit Terms	(164,648)
Differences Between Expected and Actual Experience	2,892,449
Changes of Assumptions or Other Inputs	1,997,814
Benefit Payments	<u>(3,912,746)</u>
Net Changes	<u>13,842,152</u>
Balance at June 30, 2019	<u><u>\$ 201,795,170</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.60 percent on July 1, 2017 to 3.87 percent on July 1, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the BOCES, as well as what the BOCES’ total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	<u>\$ 240,321,454</u>	<u>\$ 201,795,170</u>	<u>\$ 171,392,183</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS - Continued

Changes in the Total OPEB Liability - Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the BOCES, as well as what the BOCES’ total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (2.94 percent) or 1 percentage point higher (4.94 percent) than the current healthcare cost trend rate:

	1% Decrease Healthcare Cost Trend Rates (Trend Less 1% Decreasing to 2.94%)	Healthcare Cost Trend Rates (Trend Decreasing to 3.94%)	1% Increase Healthcare Cost Trend Rates (Trend Plus 1% Decreasing to 4.94%)
Total OPEB Liability	\$ 168,844,154	\$ 201,795,170	\$ 244,839,693

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the BOCES recognized OPEB expense of \$4,196,136. At June 30, 2019, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,450,179	\$ -
Changes of Assumptions or Other Inputs	1,692,338	19,607,994
Benefit Payments Subsequent to the Measurement Date	5,019,834	-
	<u>\$ 9,162,351</u>	<u>\$ 19,607,994</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

**NOTE 12 – POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS - Continued**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB – Continued**

BOCES benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020, if applicable. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,		
2020	\$	(3,648,665)
2021		(3,648,665)
2022		(3,648,665)
2023		(3,648,665)
2024 and Thereafter		<u>(870,817)</u>
	<u>\$</u>	<u>(15,465,477)</u>

NOTE 13 – RISK MANAGEMENT

General Information

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 for the past two years.

Consortiums and Self-Insured Plans

The BOCES participates in the St. Lawrence-Lewis Counties School District Healthcare Plan (Plan), a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 18 individual governmental units located within the pool’s geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to \$1,000,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$1,000,000 limit, and the BOCES has essentially transferred all related risk to the pool.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 13 – RISK MANAGEMENT - Continued

Consortiums and Self-Insured Plans – Continued

Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the plan's liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing: St. Lawrence-Lewis Counties School District Employee Medical Plan, Post Office Box 697, Canton, New York 13617.

The BOCES participates in the St. Lawrence-Lewis Counties School District Employees Workers' Compensation Plan, 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 is \$-0-.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The BOCES has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the BOCES' administration believes disallowances, if any, will be immaterial.

The recent labor contracts between the BOCES and the St. Lawrence-Lewis Counties BOCES Teachers' Association and the Non-Instructional Support Staff Association expired on June 30, 2018. Management has accrued an estimated wage and benefit increase for the current fiscal year for both labor contracts based on projected retroactive pay adjustments.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 15 – LEASE OBLIGATIONS

The BOCES leases certain equipment, office space and personal property under the terms of various non-cancelable leases. Rental expense for the year ended June 30, 2019 was \$330,079.

Minimum annual rentals for each of the remaining years of the lease at June 30 are:

2020	\$	314,387
2021		269,869
2022		188,835
2023		116,204
2024		19,412
	\$	<u>908,707</u>

NOTE 16 – OTHER CHANGES IN FUND BALANCE

General Fund - The (\$4,450,985) decrease in fund balance for the year ended June 30, 2019 represents the excess of revenues over expenditures net of any reserve income and expenditures as follows:

Refund of Surplus Unpaid to Component Districts	\$	(4,411,490)
Changes in Reserve Balances		
Employee Benefit Accrued Liability		(12,709)
Reserve for Unemployment Insurance		<u>(26,786)</u>
	\$	<u>(4,450,985)</u>

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 10, 2019, which is the date of the issuance of the financial statements.

On September 18, 2019, the Board of Education ratified a memorandum of agreement between the St. Lawrence-Lewis Counties BOCES Teachers' Association and the St. Lawrence-Lewis BOCES Board of Education effective July 1, 2018 – June 30, 2021.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE BOCES' TOTAL OPEB LIABILITY AND RELATED RATIOS**LAST TWO FISCAL YEARS**

Ended June 30, 2019

Total OPEB Liability	2019	2018
Service Cost	\$ 6,113,323	\$ 8,080,556
Interest	6,915,960	6,046,105
Changes of Benefit Terms	(164,648)	-
Difference between Expected and Actual Experience	2,892,449	-
Changes in Assumptions and Other Inputs	1,997,814	(28,400,816)
Benefit Payments	(3,912,746)	(3,672,669)
Net Change in Total OPEB Liability	<u>13,842,152</u>	<u>(17,946,824)</u>
Total OPEB Liability - Beginning, as Restated	<u>187,953,018</u>	<u>205,899,842</u>
Total OPEB Liability - Ending	<u>\$ 201,795,170</u>	<u>\$ 187,953,018</u>
Covered Payroll	\$ 23,043,383	\$ 22,333,571
Total OPEB Liability as a Percentage of Covered Payroll	875.72%	841.57%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET (NON-GAAP) BASIS AND ACTUAL – GENERAL FUND**

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>
REVENUES		
Administration: 001	\$ 9,104,132	\$ 9,084,057
Occupational Instruction: 100-199	9,913,921	10,139,779
Instruction for Special Education: 200-299	23,915,353	23,881,880
Itinerant Services: 300-399	3,969,785	4,106,002
General Instruction: 400-499	2,356,809	1,911,174
Instructional Support: 500-599	7,457,815	9,858,225
Other Services: 600-699	9,570,780	10,343,535
Total Revenues	<u>66,288,595</u>	<u>69,324,652</u>
EXPENDITURES		
Administration: 001	8,979,130	8,579,058
Occupational Instruction: 100-199	9,913,921	10,139,779
Instruction for Special Education: 200-299	23,915,353	23,881,880
Itinerant Services: 300-399	3,969,787	4,106,003
General Instruction: 400-499	2,356,808	1,911,171
Instructional Support: 500-599	7,457,815	9,858,226
Other Services: 600-699	9,570,781	10,343,535
Total Expenditures	<u>66,163,595</u>	<u>68,819,652</u>
OTHER FINANCING SOURCES (USES)		
Transfers to Other Funds	(125,000)	(525,000)
Transfers from Other Funds	-	20,000
Total Expenditures and Other Financing Sources (Uses)	<u>66,288,595</u>	<u>69,324,652</u>
OTHER CHANGES IN FUND BALANCE		
Refund of Surplus Unpaid	-	-
Employee Benefit Accrued Liability	-	-
Reserve for Unemployment Insurance	-	-
Plus - Encumbrances, Ending	-	-
Less - Encumbrances, Beginning	-	-
Total Other Changes in Fund Balance	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-
Fund Balance - Beginning of Year	<u>2,439,948</u>	<u>2,439,948</u>
Fund Balance - End of Year	<u>\$ 2,439,948</u>	<u>\$ 2,439,948</u>

ST. LAWRENCE-LEWIS COUNTIES BOCES

Actual	Final Budget Variance with Actual
\$ 9,084,057	\$ -
10,139,779	-
23,881,880	-
4,106,002	-
1,911,174	-
9,858,225	-
10,343,535	-
69,324,652	\$ -

	Year-End Encumbrances	Final Budget Variance with Actual and Encumbrances
8,093,938	-	\$ 485,120
9,914,622	-	225,157
21,491,268	-	2,390,612
3,841,389	-	264,614
1,842,565	-	68,606
9,599,324	-	258,902
9,625,056	-	718,479
64,408,162	-	\$ 4,411,490

(525,000)
20,000

64,913,162

(4,411,490)
(12,709)
(26,786)
-
-

 (4,450,985)
(39,495)
2,439,948

 \$ 2,400,453

Note to Required Supplementary Information Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN
LAST FIVE FISCAL YEARS**

Ended June 30, 2019

	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)					
BOCES' Proportion of the Net Pension Asset (Liability)	0.119098%	0.119893%	0.121264%	0.120681%	0.120734%
BOCES' Proportionate Share of the Net Pension Asset (Liability)	\$ 2,153,611	\$ 911,303	\$ (1,298,787)	\$ 12,534,884	\$ 13,449,053
BOCES' Covered Payroll	\$ 19,403,963	\$ 18,993,009	\$ 18,731,976	\$ 18,127,290	\$ 17,849,204
BOCES' Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>11.10%</u>	<u>4.80%</u>	<u>6.93%</u>	<u>69.15%</u>	<u>75.35%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	101.53%	100.66%	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)					
BOCES' Proportion of the Net Pension Asset (Liability)	0.0322304%	0.0297029%	0.0291552%	0.0285994%	0.0283649%
BOCES' Proportionate Share of the Net Pension Asset (Liability)	\$ (2,283,625)	\$ (958,646)	\$ (2,739,484)	\$ (4,590,291)	\$ (958,236)
BOCES' Covered Payroll	\$ 8,087,520	\$ 7,782,136	\$ 7,477,025	\$ 7,039,536	\$ 7,410,545
BOCES' Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>28.24%</u>	<u>12.32%</u>	<u>36.64%</u>	<u>65.21%</u>	<u>12.93%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	96.27%	98.24%	94.70%	90.68%	97.95%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditor's report.

**SCHEDULE OF THE BOCES' CONTRIBUTIONS – NYSLRS PENSION PLAN
LAST FIVE FISCAL YEARS**

Ended June 30, 2019

	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)					
Contractually Required Contribution	\$ 1,901,178	\$ 2,226,686	\$ 2,481,242	\$ 3,177,819	\$ 2,898,081
Contributions in Relation to the Contractually Required Contribution	<u>1,901,178</u>	<u>2,226,686</u>	<u>2,481,242</u>	<u>3,177,819</u>	<u>2,898,081</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES' Covered Payroll	\$ 19,403,963	\$ 18,993,009	\$ 18,731,976	\$ 18,127,290	\$ 17,849,204
Contributions as a Percentage of Covered Payroll	9.80%	11.72%	13.25%	17.53%	16.24%
Employees' Retirement System (ERS)					
Contractually Required Contribution	\$ 1,155,106	\$ 1,152,097	\$ 1,116,579	\$ 1,189,665	\$ 1,363,901
Contributions in Relation to the Contractually Required Contribution	<u>1,155,106</u>	<u>1,152,097</u>	<u>1,116,579</u>	<u>1,189,665</u>	<u>1,363,901</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES' Covered Payroll	\$ 8,087,520	\$ 7,782,136	\$ 7,477,025	\$ 7,039,536	\$ 7,410,545
Contributions as a Percentage of Covered Payroll	14.28%	14.80%	14.93%	16.90%	18.40%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in independent auditor's report.

SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET – GENERAL FUND

Year Ended June 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 66,288,595
Add: Prior Year's Encumbrances	<u> -</u>
Original Budget	66,288,595
Budget Revision	<u> 3,036,057</u>
Final Budget	<u><u> \$ 69,324,652</u></u>

The Original Budget was Revised for the Following Programs:

Budget Increases (Decreases)	
Administration	\$ (20,072)
Occupational Instruction	225,858
Instruction for Special Education	(33,473)
Itinerant Services	136,216
General Instruction	(445,637)
Instructional Support	2,400,411
Other Services	<u> 772,754</u>
Total Budget Increase	<u> 3,036,057</u>
Net Increase	<u><u> \$ 3,036,057</u></u>

See paragraph on supplementary schedules included in independent auditor's report.

ANALYSIS OF ACCOUNT A431 SCHOOL DISTRICTS

Year Ended June 30, 2019

JULY 1 - CREDIT BALANCE	\$ (3,176,795)
Debits:	
Billings to School Districts	68,093,846
Refund of Balances Due School Districts	3,176,795
Encumbrances - End of Year	<u>-</u>
TOTAL DEBITS	<u>71,270,641</u>
Credits:	
Collection from School Districts	68,093,846
Adjustment - Credits to School Districts: Revenues in Excess of Expenditures	4,411,490
Encumbrance - Beginning of Year	<u>-</u>
TOTAL CREDITS	<u>72,505,336</u>
JUNE 30 - CREDIT BALANCE	<u><u>\$ (4,411,490)</u></u>

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2019

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance (Deficit) 6/30/2019	
			Prior Year	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Future Project - CTE Renovation	\$ 43,500,000	\$ 43,500,000	\$ -	\$ 1,003,381	\$ 1,003,381	\$ 42,496,619	\$ -	\$ -	\$ 543,450	\$ 543,450	\$ (459,931)
Future Project - CTE Storage	-	-	-	-	-	-	-	-	275,000	275,000	275,000
Totals	<u>\$ 43,500,000</u>	<u>\$ 43,500,000</u>	<u>\$ -</u>	<u>\$ 1,003,381</u>	<u>\$ 1,003,381</u>	<u>\$ 42,496,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818,450</u>	<u>\$ 818,450</u>	<u>\$ (184,931)</u>

See paragraph on supplementary schedules included in independent auditor’s report.

ST. LAWRENCE-LEWIS COUNTIES BOCES

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2019

Capital Assets, Net		\$ 27,299,630
Premium on Bonds Payable	\$ 218,373	
Short-Term Portion of Bonds Payable	1,035,000	
Long-Term Portion of Bonds Payable	8,775,000	
Short-Term Portion of Installment Debt	382,428	
Long-Term Portion of Installment Debt	<u>757,784</u>	<u>11,168,585</u>
Net Investment in Capital Assets		<u>\$ 16,131,045</u>

See paragraph on supplementary schedules included in independent auditor's report.



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S 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 EDUCATION
ST. LAWRENCE-LEWIS COUNTIES BOCES**

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 and each major fund of the St. Lawrence-Lewis Counties BOCES as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the St. Lawrence-Lewis Counties BOCES' basic financial statements and have issue our report thereon dated October 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Lawrence-Lewis Counties 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 St. Lawrence-Lewis Counties BOCES' internal control. Accordingly, we do not express an opinion of the effectiveness of St. Lawrence-Lewis Counties 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 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.

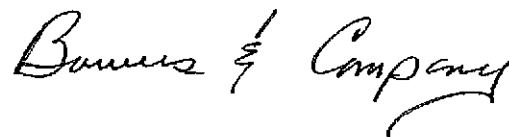
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 St. Lawrence-Lewis Counties 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 statements 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.

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in black ink and is positioned to the right of the date and location text.

Watertown, New York
October 10, 2019



BOWERS & COMPANY
CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

To the Board of Education
St. Lawrence-Lewis Counties BOCES

In planning and performing our audit of the financial statements of St. Lawrence-Lewis Counties BOCES for the year ended June 30, 2019, we considered the BOCES' internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comment and suggestion regarding this matter.

Condition: Review Grant Classifications

We noted that the BOCES had identified a grant as a Federal award, however, upon review of the grant award and confirmation with the granting agency it was determined to be a State award. The misclassification of the award resulted in the BOCES not being subject to a single audit as federal expenditures were below \$750,000 which changes the scope of the audit. It is management's responsibility to properly classify grant revenue sources.

Recommendation

We recommend that the BOCES review each grant classification to properly identify Federal, State and Local awards and, if necessary, contact the granting agencies to confirm grant classifications.

Management's Response

The BOCES will take this recommendation into account and work with our program directors to better identify the source of grant funding.

We appreciate the opportunity to conduct the audit and would like to express our thanks to the staff for the fine cooperation extended to us during the course of the audit.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in dark ink and is positioned to the right of the main body of text.

Watertown, New York
October 10, 2019



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

October 10, 2019

To the President and Members
of the Board of Education of the
St. Lawrence Lewis Counties BOCES

We have audited the financial statements of the governmental activities, and each major fund of St. Lawrence Lewis Counties BOCES for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 15, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by St. Lawrence Lewis Counties BOCES are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2019. We noted no transactions entered into by St. Lawrence Lewis Counties BOCES during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statement were:

Management's estimate of the depreciation is based on economic useful lives of capital asset classes.

Management estimates actuarial assumptions that are used to determine pension asset (liabilities) and annual pension cost for the year in accordance with GASB Statement No. 68.

Management estimates actuarial assumptions that are used to determine annual postretirement cost for the year in accordance with GASB Statement No. 75.

We have evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Attached schedule #1 summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Attached schedule #2 represents material misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to St. Lawrence Lewis Counties BOCES' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as St. Lawrence Lewis Counties BOCES' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to *Management's Discussion and Analysis, Schedule of Changes in the BOCES' Total OPEB Liability and Related Ratios, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund, Schedule of BOCES' Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan, and the Schedule of the BOCES' Contributions – NYSLRS Pension Plan*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on *Schedule of Change from Adopted Budget to Final Budget – General Fund, Analysis of Account A431 School Districts, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, and Net Investment in Capital Assets*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of St. Lawrence Lewis Counties BOCES and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company

Schedule 1: Immaterial Uncorrected Misstatements

Governmental Funds

General Fund

Passed Journal Entries JE # 401		A637.1		
To adjust ERS accrual to actual (Note: not allocated to each applicable CoSer by B&C all applied to administrative)				
A000637-00	Due to Employees' Retirement		79,396.00	
A1	ADMINISTRATION			79,396.00
Total			79,396.00	79,396.00

Schedule 2: Material Misstatements Corrected by Management

Governmental Funds

General Fund:

Adjusting Journal Entries JE # 3		A410.1		
To record state aid receivable				
A000410-00	State/Federal Aid Receivable	10,367,463.00		
A000658-00	State Aid Due School Districts		10,367,463.00	
Total		<u>10,367,463.00</u>		<u>10,367,463.00</u>

Special Aid Fund:

Adjusting Journal Entries JE # 1		F 909.10		
To back out Client entry directly to Fund Balance				
F00917-00	Unassigned Fund Balance	185,034.00		
0904.140-2770-00	Unclassified Revenues		185,034.00	
Total		<u>185,034.00</u>		<u>185,034.00</u>

Capital Projects Fund:

Adjusting Journal Entries JE # 4		H-04		
To properly record DASNY credits as interfund expense and to eliminate interfund receivable originally recorded				
751	Interfund Transfers Out	20,000.00		
00391-AF	Due from General Fund		20,000.00	
Total		<u>20,000.00</u>		<u>20,000.00</u>

Adjusting Journal Entries JE # 5		H600.1		
To accrue March Associates invoice through 6/30/19				
750-1000-245-000	SATC Architect Expenses - \$41M Project	42,114.00		
750-2000-245-000	NWT Architect Expenses - \$41M Project	42,114.00		
750-3000-245-000	SWT Architect Expenses - \$41M Project	42,114.00		
00600-00	Accounts Payable		126,342.00	
Total		<u>126,342.00</u>		<u>126,342.00</u>

Schedule 1: Material Misstatements Corrected by Management - Continued

Government-Wide

Non-Current Governmental Assets:

Adjusting Journal Entries JE # 1		K-0	
To adjust beginning year balance to actual ending balance.			
K00102	Buildings	1.00	
K00104	Equipment	348,695.00	
K00105	Construction in Progress	1,003,381.00	
K00159	Total Non-Current Governmental Assets	163,193.00	
K00103	Improvements Other Than Buildings		1.00
K00112	Accumulated Depreciation - Buildings		887,123.00
K00113	Accumulated Depreciation - Improvements Other Than Buildings		112,875.00
K00114	Accumulated Depreciation - Equipment		515,271.00
Total		<u>1,515,270.00</u>	<u>1,515,270.00</u>
Adjusting Journal Entries JE # 2		RP 03 tab	
To record deferred outflows of resources related to TRS, ERS and OPEB			
K00496	Deferred Outflows of Resources - TRS	11,311,145.00	
K00496.1	Deferred Outflows of Resources - ERS	1,582,755.00	
K00496.2	Deferred Outflows of Resources - OPEB	5,249,605.00	
K00159	Total Non-Current Governmental Assets		18,143,505.00
Total		<u>18,143,505.00</u>	<u>18,143,505.00</u>
Adjusting Journal Entries JE # 3		RP 03 tab	
To record TRS net pension asset			
K00108	Net Pension Asset - TRS	2,153,611.00	
K00159	Total Non-Current Governmental Assets		2,153,611.00
Total		<u>2,153,611.00</u>	<u>2,153,611.00</u>
<u>Non-Current Governmental Liabilities:</u>			
Adjusting Journal Entries JE # 1		W685.1	
To adjust IPD to actual - formula error in Peggy's spreadsheet (discussed with Peggy on 8/28/19)			
W00685	Installment Purchase Debt	179,593.00	
W00129	Total Non-Current Governmental Liabilities		179,593.00
Total		<u>179,593.00</u>	<u>179,593.00</u>
Adjusting Journal Entries JE # 2		RP 03 tab	
To record deferred inflows of resources related to TRS, ERS and OPEB			
W00129	Total Non-Current Governmental Liabilities	23,186,118.00	
W00697	Deferred Inflows of Resources - TRS		2,722,340.00
W00697.1	Deferred Inflows - ERS		855,784.00
W00697.2	Deferred Inflow of Resources -OPEB		19,607,994.00
Total		<u>23,186,118.00</u>	<u>23,186,118.00</u>
Adjusting Journal Entries JE # 3		RP 03 tab	
To record net pension liability and OPEB liability			
W00129	Total Non-Current Governmental Liabilities	204,078,795.00	
W00638	Net Pension Liability		2,283,625.00
W00689	OPEB Obligation-GASB 75		201,795,170.00
Total		<u>204,078,795.00</u>	<u>204,078,795.00</u>

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 2020A 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 2020A Bonds are first issued and delivered by the Authority, and will terminate on the date on which no Series 2020A Bonds are Outstanding and each applicable BOCES has satisfied its obligations under the Agreement (the "Lease Term"). Notwithstanding the termination of the term of the Agreement, the obligations of the BOCES under such Agreement will not terminate unless and until no Series 2020A Bonds are Outstanding and the 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 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 is not a Business Day then the next succeeding Business Day, the interest on Outstanding Series 2020A Bonds payable on the next succeeding February 15 and August 15 and the principal and Sinking Fund Installments of Outstanding Series 2020A 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 is not a Business Day then the next succeeding Business Day, the amount, if any, as will 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 2020A Bonds on such interest payment date.

The 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 2020A Bonds, if such prepayment is to be used for the purchase or redemption of such Series 2020A Bonds. To the extent that the BOCES prepays all of the Basic Rent payable with respect to the Project (as determined by the Authority and 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 BOCES at the time of making such prepayment.

Subject to the provisions of the Agreement and of the Master Resolution, the BOCES will receive a credit against the amount required to be paid by the 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 2020A 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) The 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 2020A Bonds, to the extent not paid from the proceeds of the Series 2020A 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 2020A 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 2020A Bonds, within sixty (60) days after notice of the amount thereof is given to the 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 the 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 the BOCES' 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 D under the heading "Debt Service Reserve Fund," the 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 D, the 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) The 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 the 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 the 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 2020A Bonds on February 15, the 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 2020A 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 2020A Bonds on August 15, the 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 2020A 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, the 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, the 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, the 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 the 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 2020A Bonds contained an untrue or misleading statement of a material fact obtained from the BOCES relating to the 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 the BOCES.

(Section 4.03)

NATURE OF OBLIGATION OF THE BOCES

The obligation of the 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 the BOCES Lease is in effect. If the 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 the BOCES will not as a result of the 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 the BOCES in good faith.

The Agreement is a general obligation of the BOCES and any successor thereto. Any payment required to be made by the 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 BOCES

The 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 the 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 2020A Bonds of the Authority have been paid or such Bonds have otherwise been discharged.

SLL BOCES agrees that the pledge and assignment made under the Agreement shall be subordinate to the pledge and assignment made by the BOCES in order to secure the Authority's \$5,900,000 Master BOCES Program Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2015, if any remain outstanding. As a result, any State funds payable to SLL BOCES and received by the Trustee shall be applied first to the payments to be made by the BOCES pursuant to the Lease and Agreement, dated May 13, 2015, relating to the Series 2015 Bonds, if any then remain outstanding, and then to the payments to be made by the BOCES required in the Agreement with regard to the Series 2020A Bonds.

(Section 4.05)

OPERATION, MAINTENANCE AND REPAIR

During the Lease Term, the 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.

The BOCES is responsible for the over-all supervision of the Leased Property, for the overhead and general administrative costs of the BOCES incurred because of the Leased Property and for the integration of the operation of the Leased Property into the BOCES educational program.

(Section 5.01)

UTILITIES, TAXES AND GOVERNMENTAL CHARGES

The 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, the 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 the 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 the 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 the BOCES to litigate in any such proceeding in the name and behalf of the Authority.

(Section 5.02)

ADDITIONS, ENLARGEMENTS AND IMPROVEMENTS

The 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 the 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 the 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

The 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 the BOCES. All policies of insurance required by the Agreement will be primary to any insurance maintained by the Authority. In the event the 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 the BOCES.

(Section 5.05)

DAMAGE OR DESTRUCTION

The 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 the 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. The 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 the 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 the 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 the BOCES will elect to repair, reconstruct, restore or improve the Leased Property, the BOCES will complete the repairs, reconstruction, restoration or improvement of the Leased Property.

In the event the 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 2020A 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 Series 2020A Bonds in accordance with the written instructions of an Authorized Officer of the Authority.

(Section 5.06)

CONDEMNATION

The Agreement and the interest of the 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”). The BOCES irrevocably assigns to the Authority all right, title and interest of the 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, the 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 the BOCES elects to repair, reconstruct, restore or improve the Project, so long as the 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 the 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 2020A 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 the 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 the 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 the BOCES.

(Section 5.07)

ASSIGNMENT BY BOCES

The 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 the BOCES.

(Section 7.04)

USE OF PROJECT

The 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 the 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

The 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. The 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 the 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 the 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 the BOCES thereunder.

(Section 7.07)

COVENANT NOT TO AFFECT THE TAX EXEMPT STATUS OF THE BONDS

The 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 2020A Bonds from gross income for purposes of federal income taxation; (ii) will not invest or otherwise use “gross proceeds” of the Series 2020A Bonds in a manner which would cause any Series 2020A Bond (other than a Series 2020A 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 2020A 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 2020A Bonds (other than Series 2020A 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 the 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 the 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 the BOCES not less than thirty (30) days prior to the due date thereof;

(c) Failure by the 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 the 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 the 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 the BOCES contained in the Agreement will have been at the time it was made untrue in any material respect; or

(e) The 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 the 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 the 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 the 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 the BOCES; provided, however, that no amendment, change or modification will take effect unless and until (i) if the consent of Holders of Outstanding Series 2020A Bonds is required by the Master Resolution as summarized in Appendix D 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 2020A 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)

[THIS PAGE INTENTIONALLY LEFT BLANK]

**SUMMARY OF CERTAIN PROVISIONS
OF THE MASTER RESOLUTION**

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 2020A Bonds

The Bonds will be issued pursuant to the Master Resolution, the Series 2020A Resolution, and the Act. In addition to the Series 2020A 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 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 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 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 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 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)

FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

AGREEMENT TO PROVIDE CONTINUING DISCLOSURE
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE BONDS
(ST. LAWRENCE-LEWIS ISSUE), SERIES 2020A

This **AGREEMENT TO PROVIDE CONTINUING DISCLOSURE** (the “Disclosure Agreement”), dated as of July 1, 2020, is executed and delivered by the Board of Cooperative Educational Services for the Sole Supervisory District of St. Lawrence and Lewis 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) issued by the Dormitory Authority of the State of New York (the “Issuer” or “DASNY”) 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 is not obligated hereunder to 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) of this Disclosure Agreement, 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 Obligated Person pursuant to Section 9 hereof.

“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.

“Financial Obligation” means a (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“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 The 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 for the Trustee, not later than 150 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, 2020, 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) to remind the Obligated Person of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Obligated Person 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 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 for 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 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-exempt status of the securities;
 - 7. Modifications to rights of securities holders, if material;
 - 8. Bond calls, if material and tender offers;
 - 9. Defeasances;
 - 10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Ratings changes;
 12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
 13. Merger, consolidation, or acquisition of the Obligated Person, if material;
 14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
 15. Incurrence of a Financial Obligation of the Obligated Person, if material or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affects security holders, if material; and
8. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation reflecting financial difficulties.
- (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 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 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 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 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 as described in “PART 5 – SLL 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 with the Securities and Exchange Commission or are 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. Modifications 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;
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
16. Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

The Obligated Person shall, in a timely manner not in excess of ten business days after its occurrence, notify 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, the Trustee shall promptly notify the Obligated Person and also shall notify the Disclosure Dissemination Agent in writing of the occurrence of such Notice Event. Each such notice shall instruct 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 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 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 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 Obligated Person desires to make, contain the written authorization of the Obligated Person for the Disclosure Dissemination Agent to disseminate such information, and identify the date 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, 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 Obligated Person 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 Obligated Person desires to make, and identify the date the Obligated Person desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Obligated Person as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent 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 Obligated Person 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 Obligated Person as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent 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 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 Obligated Person hereby appoints DAC as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Obligated Person 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 Obligated Person or DAC, the Obligated Person 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 Obligated Person 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 Obligated Person.

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 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 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 Obligated Person has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of 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 it shall not 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 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 Section 4 hereof. 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 Disclosure 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 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 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 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, 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 or the Trustee and the assumption by any such successor of the covenants of the Obligated Person or the Trustee hereunder;

(iv) to add to the covenants of the Obligated Person or the Disclosure Dissemination Agent for the benefit of the Holders, or to surrender any right or power herein conferred upon the Obligated Person 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 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 its 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.

The Disclosure Dissemination Agent, the Trustee and the Obligated Person have caused this Disclosure 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: _____

**BOARD OF COOPERATIVE EDUCATIONAL
SERVICES FOR THE SOLE SUPERVISORY DISTRICT
OF ST. LAWRENCE AND LEWIS COUNTIES**

By: _____
Name: _____
Title: _____

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): Board of Cooperative Educational Services for the Sole Supervisory District of St. Lawrence and Lewis Counties
 Name of Bond Issue: Master BOCES Program Lease Revenue Bonds St. Lawrence-Lewis Issue), Series 2020A
 Date of Issuance: July 17, 2020
 Date of Official Statement: July 9, 2020

Maturity Date	CUSIP ⁽¹⁾
8/15/2021	64990G V58
8/15/2022	64990G V66
8/15/2023	64990G V74
8/15/2024	64990G V82
8/15/2025	64990G V90
8/15/2026	64990G W24
8/15/2027	64990G W32
8/15/2028	64990G W40
8/15/2029	64990G W57
8/15/2030	64990G W65
8/15/2031	64990G W73
8/15/2032	64990G W81
8/15/2033	64990G W99
8/15/2034	64990G X23
8/15/2035	64990G X31
8/15/2042	64990G X49

**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, _____, 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: 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:

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;”
15. _____ “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”
16. _____ “Incurrence of a Financial Obligation of the obligated person, if material;” and
17. _____ “Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the obligated person reflecting financial difficulties.”

_____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the obligated person 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:

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**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 _____ by and among the Obligated Person, the Trustee and DAC.

Issuer’s and Obligated Person’s Names:

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 obligated person 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 _____ by and among the Obligated Person, the Trustee and DAC.

Issuer’s and Obligated Person’s Names:

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 obligated person 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:

**FORM OF APPROVING OPINION
OF BOND COUNSEL**

[THIS PAGE INTENTIONALLY LEFT BLANK]

**FORM OF APPROVING OPINION OF BOND COUNSEL
RESPECTING THE SLL BONDS**

Upon delivery of the SLL Bonds, Bryant Rabbino LLP, New York, New York, Bond Counsel to the Authority, proposes to issue its approving opinion as to the SLL Bonds in substantially the following form:

July __, 2020

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Re: \$18,980,000 Dormitory Authority of the State of New York Master BOCES Program Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2020A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”) in connection with the issuance of \$18,980,000 aggregate principal amount of its above-referenced bonds (the “Bonds”), issued pursuant to the provisions of the Dormitory Authority Act, as amended, constituting Chapter 524 of the Laws of 1944 of New York, as amended (constituting Title 4 of Article 8 of the New York Public Authorities Law), and the Authority’s Master BOCES Program Lease Revenue Bond Resolution, adopted August 15, 2001, as amended and supplemented (the “Resolution”), and the Series Resolution Authorizing Up To \$43,000,000 Master BOCES Program Lease Revenue Bonds (St. Lawrence and Lewis Issue), Series 2020A, adopted April 8, 2020 (the “Series 2020A Resolution”). The Resolution and the Series 2020A Resolution are herein collectively referred to as the “Resolutions.” Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has entered into an Agreement of Lease, dated as of April 8, 2020 (the “Agreement”), between the Authority and the Board of Cooperative Educational Services of the Sole Supervisory District of St. Lawrence and Lewis Counties (“SLL BOCES”), whereby SLL BOCES leased the Project to the Authority. The Authority has entered into a Lease and Agreement, dated as of April 8, 2020, between the Authority and SLL BOCES (the “Lease Agreement”), whereby the Authority leased the Project back to SLL BOCES. The Lease Agreement provides, among other things, for making the proceeds of the Bonds available to SLL BOCES for the purposes permitted thereby and by the Resolutions. Pursuant to the Lease Agreement, SLL BOCES is required to make payments sufficient to pay the principal, sinking fund installments and redemption price of and interest on the Bonds as the same become due, which payments have been pledged by the Authority to the Trustee for the benefit of the owners of such Bonds.

The Bonds are secured by, among other things, funds and accounts held under the Resolutions and a pledge of payments to be made under the Lease Agreement.

The Bonds are dated, mature, are payable and bear interest as provided in the Resolutions and the Bond Series Certificate (as defined in the Resolutions) of the Authority fixing the terms and details of the Bonds.

We have reviewed the Resolutions, the Agreement, the Lease Agreement, the Tax Certificate and Agreement dated as of the date hereof (the “Tax Certificate and Agreement”) between the Authority and SLL BOCES, opinions of counsel to the Authority, the Trustee and SLL BOCES, certificates of the

Authority, the Trustee, SLL BOCES and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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 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 Agreement, the Lease Agreement and the 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 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolutions, the Agreement, the Lease Agreement and the Tax Certificate and Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. 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 foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Resolutions, the Lease Agreement, or the Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 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 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 Bonds, of the Revenues and any other amounts (including proceeds of the sale of the 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 Lease Agreement has been duly executed and delivered by the Authority and, assuming due execution and delivery thereof by SLL BOCES, constitutes the valid and binding agreement of the Authority in accordance with their terms.

5. The 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 Bonds. The Bonds are not a debt of the State of New York, and said State is not liable for the payment thereof.

6. Interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of calculating the federal alternative minimum tax under the Code.

7. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Yours truly,

[THIS PAGE INTENTIONALLY LEFT BLANK]

