



\$38,550,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE BONDS
(ONEIDA HERKIMER MADISON ISSUE), SERIES 2008

Dated: Date of Delivery

Due: August 15, as shown on the inside cover

Payment and Security: The Series 2008 Bonds (as defined herein) will be special obligations of the Dormitory Authority of the State of New York (the "Authority"), payable solely from and secured by a pledge of certain payments to be made by the Board of Cooperative Educational Services for the Sole Supervisory District of Oneida, Herkimer and Madison Counties ("OHM BOCES") pursuant to a Lease and Agreement (the "Agreement"), dated as of July 23, 2008, between OHM BOCES and the Authority and all funds and accounts (except the Arbitrage Rebate Fund) authorized under the Authority's Master BOCES Program Lease Revenue Bond Resolution, adopted August 15, 2001, as heretofore amended and supplemented (the "Master Resolution"), and established by the Authority's Series Resolution Authorizing Up To \$40,000,000 Master BOCES Program Lease Revenue Bonds (Oneida Herkimer Madison Issue), Series 2008, adopted July 23, 2008 (the "Series 2008 Resolution" and, together with the Master Resolution, the "Resolutions").

The Agreement, which is a general obligation of OHM BOCES, requires OHM BOCES to pay amounts sufficient to pay, or cause to be paid, the principal and Redemption Price of and interest on the Series 2008 Bonds as such payments become due (the "Basic Rent"), as well as additional rental fees and expenses of the Authority and the Trustee (collectively with the Basic Rent, the "Rentals"). Payment of OHM BOCES obligations under the Agreement shall be made pursuant to the provisions of the Act (as hereinafter defined) which provides that the Comptroller of the State of New York shall deduct from any State funds payable to OHM BOCES an amount equal to the amount payable by OHM BOCES to the Authority under the Agreement for the ensuing school year. To secure its payment of all of the Rentals due under the Agreement, including the Basic Rent, OHM BOCES will assign and pledge to the Authority a portion of any and all public funds apportioned by the State of New York (the "State") to OHM BOCES sufficient to pay such amounts (the "Pledged Revenues"). The Series 2008 Bonds will be secured by the pledge and assignment to the Trustee of the Basic Rent payments to be paid by OHM BOCES to the Authority under the Agreement and the Authority's interest in the Pledged Revenues. The apportionment of State aid is based on a statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to OHM BOCES. Such amendments could result in the increase, decrease or elimination of the amount of State aid available for the payment of debt service on the Series 2008 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 2008 BONDS."

The scheduled payment of principal of and interest on the Series 2008 Bonds maturing on August 15 of the years 2014 through 2024, inclusive (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Financial Security Assurance Inc. ("FSA", "Financial Security" or the "Insurer"). See "PART 2 - SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS – Bond Insurance."



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

The Series 2008 Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2008 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest (due February 15, 2009 and each August 15 and February 15 thereafter) on the Series 2008 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 2008 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 2008 Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2008 Bonds, payments of the principal and Redemption Price of and interest on such Series 2008 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 2008 BONDS – Book-Entry Only System" herein.

Redemption or Purchase In Lieu of Redemption: The Series 2008 Bonds are subject to redemption or purchase in lieu of redemption prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Hiscock & Barclay, LLP, Bond Counsel, under existing law (i) assuming compliance with certain covenants and the accuracy of certain representations, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Series 2008 Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Interest on the Series 2008 Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "PART 11 - TAX MATTERS" herein.

The Series 2008 Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2008 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 Hiscock & Barclay, LLP, Albany, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel Bond, Schoeneck & King, PLLC, Syracuse, New York and for OHM BOCES by its counsel Ferrara, Fiorenza, Larrison, Barrett & Reitz, P. C. East Syracuse, New York. The Authority expects to deliver the Series 2008 Bonds in definitive form in Albany, New York, on or about August 26, 2008.

RBC CAPITAL MARKETS

J.B. HANAUER & CO.

\$38,550,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE BONDS
(ONEIDA HERKIMER MADISON ISSUE), SERIES 2008

<u>Due</u> <u>August 15</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u> ⁽¹⁾	<u>Due</u> <u>August 15</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u> ⁽¹⁾
2009	\$1,250,000	4.000%	1.960%	64982P K68	2017	\$1,700,000	5.250%	3.920%+	64982P L67
2010	1,240,000	4.000%	2.400%	64982P K76	2018	1,785,000	5.250%	4.070%+	64982P L75
2011	1,290,000	4.000%	2.880%	64982P K84	2019	1,880,000	5.250%	4.220%*+	64982P L83
2012	1,340,000	4.000%	3.130%	64982P K92	2020	1,980,000	5.250%	4.350%*+	64982P L91
2013	1,395,000	5.000%	3.360%	64982P L26	2021	2,085,000	5.250%	4.460%*+	64982P M25
2014	1,465,000	5.000%	3.460%+	64982P L34	2022	2,195,000	5.250%	4.530%*+	64982P M33
2015	1,535,000	5.000%	3.620%+	64982P L42	2023	2,310,000	5.250%	4.590%*+	64982P M41
2016	1,615,000	5.250%	3.760%+	64982P L59	2024	2,430,000	5.250%	4.650%*+	64982P M58

\$ 11,055,000 5.25% Term Bonds Due August 15, 2028 to Yield 4.97%* CUSIP 64982P M66

* Priced to August 15, 2018 par call.

+ Insured Bonds

⁽¹⁾ Copyright 2008 American Bankers Association. CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2008 Bonds. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2008 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2008 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 2008 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, OHM BOCES or the Underwriters to give any information or to make any representations with respect to the Series 2008 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 the Authority, OHM BOCES or the Underwriters.

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 2008 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

OHM BOCES has reviewed the parts of this Official Statement describing OHM BOCES, the Estimated Sources and Uses of Funds and Appendix B. OHM BOCES shall certify as of the dates of sale and delivery of the Series 2008 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material facts necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. OHM BOCES 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 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 2008 Bonds that such parts do not contain any untrue statements of a material fact and do not omit any material facts necessary to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Department makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

The Underwriters have reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Other than with respect to information concerning Financial Security Assurance Inc. ("FSA") contained under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS – Bond Insurance Policy, " – Financial Security Assurance Inc." and " – Recent Events Regarding FSA's Ratings" and Appendix F - "Specimen Municipal Bond Insurance Policy and Specimen Surety Bond" herein, none of the information in this Official Statement has been supplied or verified by FSA and FSA makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2008 Bonds; or (iii) the tax exempt status of the interest on the Series 2008 Bonds.

References in this Official Statement to the Act, the Resolutions, the Agreement and the Agreement of Lease 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 the Authority 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.

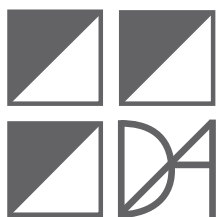
Under no circumstances shall the delivery of this Official Statement, or any sale made after its delivery, create any implication that the affairs of the Authority or OHM BOCES have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2008 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2008 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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DORMITORY AUTHORITY - STATE OF NEW YORK
PAUL T. WILLIAMS, JR. - EXECUTIVE DIRECTOR

515 BROADWAY ALBANY, N.Y. 12207
GAIL H. GORDON, ESQ. – CHAIR

OFFICIAL STATEMENT RELATING TO
\$38,550,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
MASTER BOCES PROGRAM LEASE REVENUE BONDS
(ONEIDA HERKIMER MADISON ISSUE), SERIES 2008

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 Authority, OHM BOCES (as hereafter defined) in connection with the offering by the Authority of \$38,550,000 aggregate principal amount of the Master BOCES Program Lease Revenue Bonds (Oneida Herkimer Madison Issue), Series 2008 (the "Series 2008 Bonds").

The following is a description of certain information concerning the Series 2008 Bonds, the Authority 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 2008 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 2008 Bonds are being issued and will be used together with other available moneys to (i) pay Costs of the Project, and (ii) pay all or a portion of the Costs of Issuance of the Series 2008 Bonds, including the payment of the premiums for the municipal bond insurance policy and the surety bond. See "PART 7 – ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Dormitory Authority Act (the "Act") empowers the Authority, 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 the Authority and to lease the property back from the Authority for purposes of financing such BOCES' school facilities. Consistent with the Act, OHM BOCES will, pursuant to the Agreement of Lease, lease certain property on which the Project is to be located to the Authority (the "Agreement of Lease" or the "BOCES Lease") and the Authority will in turn sublease the Project back to OHM BOCES pursuant to the Lease and Agreement (the "Agreement").

The Series 2008 Bonds will be issued pursuant to the Master Resolution, the Series 2008 Resolution and the Act. 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 the Authority and the BOCES for whose benefit the applicable 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 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. The Series 2008 Bonds will be the first series of bonds issued for the OHM BOCES. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS – Issuance of Additional Bonds."

The Authority

The Authority 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 – THE AUTHORITY."

OHM BOCES

OHM BOCES was established in 1948 and provides shared services to 12 public school districts located in Oneida, Herkimer and Madison Counties that together have more than 47 schools and in approximately 24,000 students. Many of the services are intended to enhance local district educational programs and/or to help school districts operate more efficiently by having OHM BOCES provide shared educational programs to two or more school districts which an individual school district could not itself provide as efficiently or economically. See "PART 5 – OHM BOCES."

The Series 2008 Bonds

The Series 2008 Bonds will be dated and bear interest from their delivery date, payable each February 15 and August 15, commencing February 15, 2009. The Series 2008 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 2008 BONDS – Description of the Series 2008 Bonds."

Payment of the Series 2008 Bonds

The Series 2008 Bonds are special obligations of the Authority payable solely from the Basic Rent payments to be made by OHM BOCES under the Agreement. Pursuant to the Master Resolution, such payments and the Authority's right to receive the same have been pledged to the Trustee.

The Act provides that the Comptroller of the State of New York is to deduct from any State funds payable to OHM BOCES an amount equal to the amount payable by OHM BOCES to the Authority 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 the 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 2008 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 2008 BONDS."

OHM BOCES does not have the power to levy and collect taxes. The component school districts of OHM BOCES, however, are required to levy real property taxes to pay their allocable share of OHM BOCES expenses related to the Project. The Act provides that the amount due from OHM BOCES to the Authority 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 2008 Bonds

The Series 2008 Bonds will be secured by the pledge and assignment to the Trustee of Basic Rent, the proceeds from the sale of the Series 2008 Bonds (until disbursed as provided by the Master Resolution) and all funds and accounts authorized by the Master Resolution and established by the Series 2008 Resolution (with the exception of the Arbitrage Rebate Fund), which include a Debt Service Reserve Fund. The Agreement requires OHM BOCES to pay Basic Rent to the Authority as well as additional rental fees and expenses of the Authority and the Trustee (together with Basic Rent, the "Rentals"). To secure the payment of the Rentals, OHM BOCES will assign and pledge to the Authority a portion of any and all public funds apportioned by the State to OHM BOCES in an amount sufficient to pay such Rentals.

The Project

The Project consists of the construction of and renovations and additions to the Middle Settlement Road campus. For a further description of the Project expected to be financed with the proceeds of the Series 2008 Bonds, see "PART 6 – THE PROJECT."

Bond Insurance

Concurrently with the issuance of the Series 2008 Bonds, Financial Security Assurance Inc. ("FSA" or the "Insurer") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2008 Bonds maturing on August 15 of the years 2014 through 2024, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal and interest on the Insured Bonds when due as set forth in the form of the Policy included on Appendix F to this Official Statement. The Insurer will also, concurrently with the issuance of the Series 2008 Bonds, issue its surety bond (the "Surety Bond") for deposit into the Debt Service Reserve Fund. See "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS – Bond Insurance" and the description of the Surety Bond in "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS – The Surety Bond" and see "Appendix F – Specimen Municipal Bond Insurance Policy and Specimen Surety Bond."

PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 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 2008 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 the Authority 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 2008 Bonds

The Series 2008 Bonds are special obligations of the Authority. The principal and Redemption Price of and interest on the Series 2008 Bonds are payable solely from the Revenues. The Revenues consist of the Basic Rent required to be paid by OHM BOCES under the Agreement on account of the principal of and Redemption Price of and interest on the Series 2008 Bonds and to maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement as well as the Pledged Revenues and the Authority's right to receive same. A Reserve Fund Facility in the form of the Insurer's Surety Bond will be deposited in the Debt Service Reserve Fund to meet the Debt Service Reserve Fund Requirement. See "Appendix A – Definitions – Revenues." The Revenues and the right to receive them have been pledged to the Trustee.

OHM BOCES is to assign and pledge to the Authority a portion of any and all public funds payable by the State to OHM BOCES in an amount sufficient to pay all Rentals due under the Agreement. State aid is normally paid to OHM BOCES by the State on or about February 1, June 1 and September 1 of each year (but such schedule may be changed by the State in its discretion). The Act provides that the Comptroller of the State of New York (the "State Comptroller") is to deduct from any State funds to become due to OHM BOCES an amount equal to the amount payable by OHM BOCES to the Authority under the Agreement for the ensuing school year. It is expected that the September 1 payment of State aid to OHM BOCES will be sufficient to pay the Basic Rent due on such date (i.e., an amount sufficient to pay principal of and interest on the Series 2008 Bonds on the succeeding February 15 and August 15). To the extent that payments from the State Comptroller to the Trustee pursuant to the Resolution and the Memorandum of Understanding are less than the Basic Rent due on September 1, OHM BOCES would be required to make such payment (with amounts paid later by the State or with other monies of OHM BOCES) by January 15 (with respect to the February 15 debt service payment) and July 15 (with respect to the August 15 debt service payment).

The Basic Rent payable in connection with the Series 2008 Bonds is to be paid to the Trustee on September 1 of each year commencing on September 1, 2008 in accordance with the provisions of the Act and the terms of the Memorandum of Understanding. Basic Rent is equal to the interest and principal coming due on the next succeeding February 15 and August 15. In addition, the installment due on 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 the Authority to certify annually to the Commissioner of Education (the "Commissioner") the total amount payable to it in each year by OHM BOCES. The Commissioner is then required by law to certify to the State Comptroller the amount of State aid payable to OHM BOCES and the amount to be paid by OHM BOCES to the Authority for the ensuing school

year. The State Comptroller is thereafter required by law to deduct the amount so certified as payable to the Authority from any State aid to become due to OHM BOCES and pay it to or upon the order of the Authority.

The State is not legally obligated to appropriate any moneys for the purpose of providing State aid or assistance to OHM BOCES or any other BOCES. The apportionment of State aid is based on a statutory formula. Both the determination of the amount of State aid and the apportionment of such State aid are legislative acts and the State Legislature may amend or repeal the statutes relating to State aid and the formulas which determine the amount of State aid payable to the 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 2008 Bonds. The financial condition of the State may affect the amount of State aid appropriated by the State Legislature.

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

The Series 2008 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

Security for the Series 2008 Bonds

The Series 2008 Bonds will be secured by the pledge and assignment to the Trustee of Basic Rent, the proceeds from the sale of the Series 2008 Bonds (until disbursed as provided by the Resolutions) and all funds and accounts authorized by the Master Resolution and established by the Series 2008 Resolution (with the exception of the Arbitrage Rebate Fund), which include a Debt Service Reserve Fund, and the Authority's security interest in the Pledged Revenues. The Series 2008 Bonds are the first series of bonds issued for OHM BOCES under the Master Resolution. Pursuant to the terms of the Resolutions, the funds and accounts established by the Resolutions secure only the Series 2008 Bonds and do not secure any other Series of Bonds issued under the Master Resolution. See "Issuance of Additional Bonds" herein.

Lease Payments

Consistent with the Act, OHM BOCES will, pursuant to the Agreement of Lease, lease certain property on which the Project is located to the Authority and the Authority will in turn sublease such property and the Project back to OHM BOCES pursuant to the Agreement. The Series 2008 Bonds are not secured by any real estate interest in the Project. The Agreement is a general obligation of OHM BOCES. OHM BOCES' obligation to pay Rentals under the Agreement is absolute and unconditional without any right of set-off, recoupment or counterclaim against the Authority.

The Authority has covenanted for the benefit of the Holders of the Series 2008 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 2008 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.

Bond Insurance Policy

The following information has been supplied by the Insurer for inclusion in this Official Statement. No representation is made by the Authority or the Underwriters as to the accuracy or completeness of the information.

Concurrently with the issuance of the Series 2008 Bonds, FSA will issue its Municipal Bond Insurance Policy (the "Policy") for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as "Appendix F – Specimen Municipal Bond Insurance Policy and Specimen Surety Bond." The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local S.A., a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2008, Financial Security's consolidated policyholders' surplus and contingency reserves were approximately \$2,474,294,855 and its total net unearned premium reserve was approximately \$2,618,981,067 in accordance with statutory accounting principles. At June 30, 2008, Financial Security's consolidated shareholder's equity was approximately \$2,742,778,534 and its total net unearned premium reserve was approximately \$2,065,001,822 in accordance with generally accepted accounting principles.

Portions of the following documents filed by Holdings with the Securities and Exchange Commission ("SEC") that relate to Financial Security are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) Annual Report of Holdings on Form 10-K for the year ended December 31, 2007, and
- (ii) Quarterly Report of Holdings on Form 10-Q for the quarter ended March 31, 2008, and
- (iii) Quarterly Report of Holdings on Form 10-Q for the quarter ended June 30, 2008, and
- (iv) Current Report of Holdings on Form 8-K filed on August 6, 2008.

All information relating to Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov> or at Holding's website at <http://www.fsa.com> or will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding Financial Security included herein under the captions "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS – Bond Insurance Policy, " – Financial Security Assurance Inc." and " – Recent Events Regarding FSA's Ratings" or included in a document incorporated by reference herein (collectively, the "Financial Security Information") shall be modified or superseded to the extent that any subsequently included Financial Security Information (either directly or through incorporation by reference) modifies or supersedes such previously included Financial Security Information. Any Financial Security Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

The Policy does not protect investors against changes in market value of the Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Authority the information presented under this caption for inclusion in the Official Statement.

Neither the Authority or Underwriters have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Recent Events Regarding FSA's Ratings

On August 6, 2008, Standard & Poor's Ratings Services revised its outlook on FSA to negative from stable, and affirmed FSA's "AAA" claims paying rating.

On August 6, 2008, Fitch Ratings affirmed FSA's "AAA"/Stable insurer financial strength rating.

On July 21, 2008, Moody's Investors Service, Inc. ("Moody's") placed FSA's "Aaa" insurance financial strength ratings on review for possible downgrade due to concerns regarding elevated risks with the financial guaranty insurance market and within FSA's insured portfolio. Moody's noted that, while the outcome of the review is uncertain at this time, a downgrade of FSA's insurance financial strength rating below "Aa2" is currently seen as unlikely. In response to Moody's ratings action, FSA stated that it "take[s] note of the concerns Moody's has expressed, and... will work closely with [Moody's] to reestablish [FSA's] Aaa-stable claims paying ratings."

These ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by those rating agencies. [See "Ratings."]

Pledge of State Aid

As additional security for the payment of the Rentals, including Basic Rent, to the Authority, OHM BOCES will assign and pledge to the Authority a portion of any and all public funds payable by the State to OHM BOCES in an amount sufficient to pay such Rentals. OHM BOCES further agrees that all State and local officials concerned are authorized to apportion and pay to or upon the order of the Authority 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 the Authority incurred as a result of the issuance of the Series 2008 Bonds have been paid or otherwise discharged.

Debt Service Reserve Fund

The Master Resolution requires that the Debt Service Reserve Fund be maintained at its requirement, which is an amount equal to one-half of 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 Outstanding Series 2008 Bonds payable during such year.

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 each 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 2008 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 and applied by the Trustee in accordance with the Master Resolution. See "Appendix D – Summary of Certain Provisions of the Master Resolution."

The Surety Bond

In connection with the issuance of the Series 2008 Bonds, FSA shall deliver the Surety Bond for deposit in the Debt Service Reserve Fund in satisfaction of the Debt Service Reserve Fund Requirement on the Series 2008 Bonds. This Surety Bond is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law. See "Appendix F – Specimen Municipal Bond Insurance Policy and Specimen Surety Bond."

Issuance of Additional Bonds

In addition to the Series 2008 Bonds, the Master Resolution authorizes the issuance of other Series of Bonds for OHM BOCES and other BOCES for other specified purposes, including refunding the Outstanding Bonds issued under the Master Resolution. Each Series of Bonds issued under the Master Resolution will be separately secured by the pledge and assignment of the Applicable Revenues, the Authority's interest in the Applicable 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 Applicable Series Resolution. Any additional Series of Bonds issued to finance or refinance a Project for OHM BOCES would be paid and secured on a subordinate basis to the Series 2008 Bonds unless otherwise consented to by a majority of the holders of the Series 2008 Bonds. Therefore, to the extent Pledged Revenues or OHM BOCES payments of Basic Rent were insufficient to pay for the Series 2008 Bonds and such additional Bonds, amounts would be applied first to pay the Series 2008 Bonds and then such additional Bonds.

General

The Series 2008 Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power. The Authority has never defaulted in the timely payment of principal or sinking fund installments of or interest on its bonds or notes. See "PART 8 – THE AUTHORITY."

Defaults and Remedies under the Agreement

Among the events that would constitute an "event of default" under the Agreement are the failure by OHM BOCES to pay the Rentals within seven days after they become due or to observe or perform any of the covenants, conditions or agreements contained in the Agreement which continues for the applicable grace period after notice of such failure has been given to OHM BOCES. In the event any such event of default will have happened and be continuing, the Authority 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 include: (i) the failure to pay principal, Sinking Fund Installments, if any, or Redemption Price of, and interest on the Bonds when due; (ii) the failure to comply with the provisions of the Code applicable to the Series 2008 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 2008 Bonds is no longer excludable from the gross income of the Holders thereof; and (iii) a default by the Authority in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolutions or in the Series 2008 Bonds on the part of the Authority 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 the Authority 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 such Outstanding Series 2008 Bonds, unless, if such default is not capable of being cured within 30 days, the Authority 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 Applicable Facility Provider of a Reserve Fund Facility or the written request of the Holders of not less than 25% in principal amount of the Outstanding Series 2008 Bonds 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 2008 Bonds, 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 the Authority as if the Authority 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 2008 Bonds under the Resolutions.

With respect to the Insured Bonds, so long as the Insurer is not in default under the Policy, the Trustee will exercise remedies at the direction of the Insurer and will not exercise remedies at the direction of the Holders of the Insured Bonds without the consent of the Insurer.

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 the Authority for principal or interest or otherwise under any of the provisions of the Resolutions or of the Series 2008 Bonds, with interest on overdue payments of the principal of or interest on the Series 2008 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 2008 Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Series 2008 Bonds, and to recover and enforce a judgment or decree against the Authority but solely as provided in the Resolutions and in such Series 2008 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 2008 BONDS

Description of the Series 2008 Bonds

The Series 2008 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 2008 Bonds will be issued as fully registered bonds. The Series 2008 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2008 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 2008 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2008 Bonds, the Series 2008 Bonds will be exchangeable for other fully registered Series 2008 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 2008 Bonds will be payable by check or draft mailed to the registered owners thereof at the address thereof as it appears on the registration books held by the Trustee, or, at the option of a Holder of at least \$1,000,000 in principal amount of the Series 2008 Bonds by wire transfer to the Holder of such Series 2008 Bonds, each as of the close of business on the fifteenth day of the month, as applicable, next preceding an interest payment date. The principal or redemption price of the Series 2008 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, New York, New York, the Trustee and Paying Agent. As long as the Series 2008 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 2008 Bonds, see "Appendix D – Summary of Certain Provisions of the Master Resolution."

Redemption Provisions

The Series 2008 Bonds are subject to optional, special mandatory redemption, and purchase in lieu of optional redemption as described below.

Optional Redemption

The Series 2008 Bonds maturing on or before August 15, 2018 are not subject to optional redemption prior to maturity. The Series 2008 Bonds maturing after August 15, 2018 are subject to redemption prior to maturity on or after August 15, 2018 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 the Authority, as a whole or in part at any time, at par plus accrued interest to the redemption date.

Mandatory Redemption

In addition, the Series 2008 Bonds maturing on August 15, 2028 are subject to redemption, in part, on each August 15 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on

August 15 (or such preceding Interest Payment Date) of each year the principal amount of Series 2008 Bonds specified for each of the years shown below:

**Series 2008 Bonds
Maturing on
August 15, 2028**

<u>Year</u>	<u>Sinking Fund Installments</u>
2025	\$2,555,000
2026	\$2,690,000
2027	\$2,830,000
2028†	\$2,980,000

†Final maturity.

Special Redemption

The Series 2008 Bonds are also subject to redemption, in whole or in part, at 100% of the principal amount thereof, at the option of the Authority 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.

Purchase in Lieu of Optional Redemption.

The Series 2008 Bonds maturing on or before August 15, 2018 are not subject to purchase in lieu of optional redemption prior to maturity. The Series 2008 Bonds maturing after August 15, 2018, are subject to purchase in lieu of optional redemption prior to maturity on or after August 15, 2018, at the option of the OHM BOCES with the prior written consent of the Authority and with respect to the Insured Bonds, the prior written consent of the Insurer, 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").

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2008 Bonds. The Series 2008 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 2008 Bond certificate will be issued for each maturity of the Series 2008 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"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008 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 2008 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 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 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 2008 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 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 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 2008 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 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2008 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 2008 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 the Authority 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 the Authority, 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 the Authority 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.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2008 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, and interest on, the Series 2008 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2008 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority 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 2008 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (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 2008 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 the Authority; 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 2008 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2008 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series 2008 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 the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2008 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 THE AUTHORITY 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 2008 BONDS.

So long as Cede & Co. is the registered owner of the Series 2008 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2008 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 2008 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 2008 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.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2008 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2008 Bonds. or (ii) a continuation of the requirement that all of the Outstanding Series 2008 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 the Authority or restricted registration is no longer in effect, Series 2008 Bond certificates will be delivered as described in the Resolutions and the Bond Series Certificate.

NEITHER THE AUTHORITY, OHM BOCES NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2008 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 THE SERIES 2008 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 2008 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2008 BONDS; OR (VI) ANY OTHER MATTER.

Debt Service Requirements

The following table sets forth the amounts required to be paid by OHM BOCES during each twelve month period ending August 14 of the Bond Years shown for the payment of debt service on the Series 2008 Bonds.

12-Month Period Ended August 14,	Principal of Series 2008 Bonds	Interest Payments on Series 2008 Bonds	Total Debt Service on Series 2008 Bonds
2009	\$1,250,000	\$1,889,338	\$3,139,338
2010	1,240,000	1,898,888	3,138,888
2011	1,290,000	1,849,288	3,139,288
2012	1,340,000	1,797,688	3,137,688
2013	1,395,000	1,744,088	3,139,088
2014	1,465,000	1,674,338	3,139,338
2015	1,535,000	1,601,088	3,136,088
2016	1,615,000	1,524,338	3,139,338
2017	1,700,000	1,439,550	3,139,550
2018	1,785,000	1,350,300	3,135,300
2019	1,880,000	1,256,588	3,136,588
2020	1,980,000	1,157,888	3,137,888
2021	2,085,000	1,053,938	3,138,938
2022	2,195,000	944,475	3,139,475
2023	2,310,000	829,238	3,139,238
2024	2,430,000	707,963	3,137,963
2025	2,555,000	580,388	3,135,388
2026	2,690,000	446,250	3,136,250
2027	2,830,000	305,025	3,135,025
2028	2,980,000	156,450	3,136,450

PART 4 – BOARDS OF COOPERATIVE EDUCATIONAL SERVICES

General Description of BOCES

The ability to create a Board of Cooperative Educational Services was first established in 1948 and is found in sections 1950 and 1951 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 695 of the 704 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, Yonkers and Syracuse.

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 to him requesting the establishment of the 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 each 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 expenses (including the Rentals due to the Authority 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 the BOCES Board are elected at the BOCES 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 the 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 the Authority 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 the BOCES' component school districts. In addition, the 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 facilities 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 and/or handicaps.

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 the 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 facilities expenses. The component school districts pay for these expenses through real property tax levies. Program services are funded by component school districts based on the district's participation in a specific program. Administrative expenses of a BOCES (including the Rentals due to the Authority under an applicable agreement), as well as facilities expenses for capital projects not funded through surpluses are shared on a pro

rata apportioned basis (based on attendance or enrollment formulas or property values) by the component school districts. 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

The BOCES administrative expenses, including the Rentals due to the Authority 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.

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. The entire amount of BOCES payments to the Authority, as well as certain other BOCES expenses, are administrative expenses, but are not subject to the 10% limit in calculating State aid. 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 the Authority 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

The BOCES' facilities expenses 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 from budgetary appropriations or capital reserves 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 the 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 BOCES is subject to intercept under the Act up to the amount of the Rentals payable by the BOCES under its agreement with the Authority. *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 the 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 2008 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 the BOCES administrative expenses notwithstanding that they may elect not to participate in any of the BOCES educational programs. Each component school district pays a proportional share of BOCES administrative expenses (based on attendance or enrollment formulas or property values) through tax levies and local school boards vote on the BOCES administrative budget each spring. The portion of the budget allocated to payments to the Authority, however, is not subject to such vote of the local school boards. The Education Law requires that each component school district will add the amount of its share of BOCES administrative expenses to its budget and will pay such amount to the BOCES. The moneys collected for and on behalf of the BOCES by each component school district are required by law to be paid by the school district to the 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 budget to pay for the basic or minimal needs of the school district which will include its allocable share of the BOCES administrative 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 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.

PART 5 – OHM BOCES

History

The Board of Cooperative Educational Services for the Sole Supervisory District of Oneida Herkimer and Madison Counties ("OHM BOCES") was established as one of the original four BOCES in 1948 and provides shared services to the 12 school districts that together have more than 47 schools and approximately 24,000 students. OHM BOCES shared services are intended to enhance local district educational programs and to provide educational programs to component school districts which individual school districts could not themselves provide efficiently or economically. Thus, OHM BOCES programs generally offer advantages to school districts of specialization and economy of scale.

Operations

OHM BOCES programs and services for school districts are divided into four divisions as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governance

OHM BOCES carries out its programs through a twelve-member board and a staff of approximately 485 salaried staff members, supplemented by 110 hourly and/or daily employees. The OHM BOCES Board is made up of twelve members representing the component districts within the OHM BOCES area, and generally, with certain exceptions, no more than one member may reside within the boundaries of a particular school district. OHM BOCES Board members are elected by the boards of education of the 12 component school districts and each serves for a period of three years, unless appointed or elected in a special election to serve out the term of office of a Board member who has resigned. They serve without compensation, but are reimbursed for some expenses incurred in carrying out their responsibilities.

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

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

RUSSELL STEWART, President – Russell Stewart has been a life long resident of Oneida County. He is employed with the Department of Mental Health in Madison County as a therapist. In 1987 he was elected to the Waterville School Board. He served 15 years on the Waterville Board of Education, retiring in 2002. During that time he served terms as both President and Vice President. He has been a board member of the OHM BOCES since 1998, serving as President for three years. Mr. Stewart's term will expire in 2010.

JOHN A. GRIFFIN, Vice President – John A. Griffin has been a lifelong resident of the Sauquoit Valley. Mr. Griffin, a graduate of Chadwicks Union Free School, has a B.A. in Business Administration from Utica College. He has been employed with the Utica National Insurance group for 35 years and is presently a Vice President and Regional Manager of their Eastern Regional Office located in Utica, NY. As part of his responsibility at Utica National, he has worked with the Utica National School Risk Management Program affording insurance and risk management services to over 300 New York State public schools. Mr. Griffin has served on the Cooperative Board since 2002 and the Sauquoit Valley School Board from July 1, 1996 to July 1, 2001. He was President of the Sauquoit Board during his last year of service and served on the Finance, Health and Safety and Curriculum Committees. Mr. Griffin's term will expire in 2011.

MARGARET BUCKLEY – Margaret Buckley has been a member of the Utica City School District Board of Education since July, 2006 and a member of the Cooperative board since July 2007. Ms. Buckley is currently chairman of the Grants Committee. She attended Utica Schools, College Misericordia Dallas, PA and Syracuse University Graduate School. Ms. Buckley served as Principal of General Herkimer Magnet School from 1976 - 2006. In 1991 General Herkimer became one of the five Magnet Schools in Utica. The theme is Communications, Technology and Media Arts. Ms. Buckley and her staff have developed innovative, integrated and creative thematic units. General Herkimer has received numerous awards and recognized for their high student achievements and innovative curriculum development. One of the highlights of General Herkimer School is the production studio which is the only Utica Elementary school with a television media studio. Her professional positions besides elementary principal have included reading consultant, corrective reading teacher, and elementary teacher in Utica, Rochester and Whitesboro. Ms. Buckley's term will expire in 2009.

SHIRLEY BURTCH – Shirley Burtch was elected to the OHM BOCES Board in 1999. She graduated in 1951 from Thomas R. Proctor High School in Utica and from New York State College for Teachers at Albany in 1955. In September of 1955, she began her teaching career as a librarian and Social Studies teacher at Oriskany Central School retiring in June 1992. During her educational career she received additional credits at SUNY Cortland, SUNY Utica and Utica College, receiving permanent certification in both elementary education and secondary Social Studies. She has been a resident of Oriskany since 1956. She is currently the Oriskany Board of Education's Representative to the Tri-County School Boards Executive Committee. She is also on the district's Policy Review Committee. At OHM BOCES, she serves on the Finance Committee and the Consortium for Continuing Education. Mrs. Burtch's term will expire in 2011.

DOREEN CORBIN – Doreen Corbin is a lifelong resident of Brookfield. She graduated from Brookfield Central School in 1970, and in her junior and senior years, attended OHM BOCES, taking Cosmetology. After graduation she took the State boards and received her hairdressing license. She has been operating a shop in her home for 30 years. Mrs. Corbin's term will expire in 2009.

ELAINE M. FALVO – Elaine M. Falvo has been a member of the OHM BOCES Board since 1987. A lifelong resident of this area, she attended Elmira College and holds a BA degree in biology from Utica College and an MA in science education from Syracuse University. Together with her husband and two sons, they own and operate H. J. Brandeles Corporation, a mechanical contracting business which since 1897 has provided service to and support of the Central New York community. Mrs. Falvo's interest in educational issues began in 1979 when she was elected to the New Hartford Board of Education. She served that district for 13 years, three years as board president and two years as vice-president. She is a Governor-appointed trustee of Mohawk Valley Community College, where she has served the board as chairwoman for five of her 17 years as a member. In

addition Mrs. Falvo serves as a director for both Faxton/St. Luke's Health Care and Mohawk Valley Network. Mrs. Falvo's term will expire in 2009.

DENNIS FITZGERALD – Dennis Fitzgerald is a graduate of New York Mills and has lived in Yorkville for the past 26 years. He is a past member of the New York Mills Board of Education and has been a member of the OHM BOCES Board since 1998. Mr. Fitzgerald is employed by ITT Industries Corporation as the program manager of their High Performance Computing group. He has an AAS degree in electrical technology from MVCC, a BS in computer science from Utica College, and a MS in Computer and Information Science from SUNYIT and is currently enrolled in Marist College's MBA program and has completed 18 credit hours toward that degree. His experience as a BOCES board member includes twice going through the District Superintendent search process. He has served on a number of committees, including the BOCES Consortium for Continuing Education, Shared Decision Making, and the Career & Technical Education Advisory Council. Mr. Fitzgerald has volunteered on educational programs such as project SITES (Student Introduction to Engineering Science) and Math Counts, a national program intended increase interest and involvement in mathematics. Mr. Fitzgerald's term will expire in 2010.

CHARLENE A. HARTMAN – Charlene A. Hartman has served on the OHM BOCES Board since 2003. In 1979, she became a member of the Westmoreland Board of Education and served over 22 years. During that time, Mrs. Hartman served as President and Vice President. She has been a resident of the Westmoreland School District for 42 years. Mrs. Hartman works for the Town of Westmoreland, as a court clerk for the Westmoreland Justice Court. She is a Trustee on the Westmoreland Reading Center and a member of the Westmoreland Historical Society. Mrs. Hartman's term will expire in 2009.

WILLIAM H. MCDONALD – William H. McDonald has been a member of the OHM BOCES Board since 2002. He has been a board member of the OHM BOCES for six years and the Oneida Madison Herkimer School Boards Institute for over three years. He is a strong advocate for education, and currently serves as President of the Remsen Central School Board of Education, a position he has held for four years. He currently serves as Director of Community Education for Herkimer County Community College, where he is responsible for coordination of special programs and the functions of non-credit programming, contract education and facilities utilization. Mr. McDonald's term will expire in 2011.

MICHAEL MOORE - Michael Moore has been a Clinton resident since 1979. He is a software engineer with ITT Advanced Engineering Systems in Rome NY. He also occasionally teaches computer science courses as an adjunct faculty member at SUNYIT. Mr. Moore has been on the Cooperative board since 1995 and has been on committees for the budget, policy review, board self assessment, and Alternative Education. His current committee involvement is board self assessment and Alternative Ed. Mr. Moore is an active community volunteer. Mr. Moore's term will expire in 2010.

GARY NELSON – Mr. Nelson has been a OHM BOCES Board member since August 2006. He has been a resident in Holland Patent for 26 years and currently works as a Marketing and Estimating manager with Vicks Lithograph and Printing. Mr. Nelson has been a Holland Patent School Board member for six years, two of those as President. He has also served on the Board of the Teacher Center for eight years. Mr. Nelson's term will expire in 2010.

JOHN J. SALERNO – Mr. Salerno is now completing his second term as a member of the OHM BOCES Board. In 1977, he became involved in the educational process when he was elected to the Whitesboro School Board. He served 25 years on the Whitesboro Board of Education, serving at times as both President and Vice President. Mr. Salerno also served on various sub committees of the Whitesboro School Board. He represented the Whitesboro School Board as a representative of the Oneida-Madison-Herkimer Counties School Board Institute for 18 years. Mr. Salerno served as President and Vice President of the Oneida-Madison-Herkimer Counties School Board Institute 1995 to 1997. He served as Executive Secretary of the Oneida-Madison-Herkimer Counties School Board Institute 1997 to March 2005. For the past six years he has served as the OHM BOCES representative on a number of committees, including the Career and Technical Education Advisory Council; Construction Management Planning committee for the Capital Building Project, Co-chair of the Audit sub-committee; and appointed Vice President of the Shoemaker Memorial Scholarship Foundation. Mr. Salerno's term will expire in 2011.

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

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

THOMAS DORR, Assistant Superintendent for Administrative Services – Thomas Dorr is currently the Assistant Superintendent for Administrative Services of OHM BOCES. He holds a Bachelor of Science degree from Utica College, a Masters Degree from SUNY Utica-Rome and additional coursework required for certification as a School District Administrator. Mr. Dorr has been

involved in school business since 1989. He has been the chief business official at Ilion Central Schools, Whitesboro Central Schools and since April 2000, he has been at the OHM BOCES.

MARY ANNETTE DANELLA-Assistant Superintendent for Instructional Services- Mary Annette Danella is currently the Assistant Superintendent for Instruction of OHM BOCES. She holds a Bachelor of Arts from Potsdam State College, a Masters degree from Syracuse University and a Certificate of Advanced Study in School Administration and Supervision from SUNY-Cortland. Mrs. Danella has been affiliated with OHM BOCES for 18 years and has held various positions within the organization, commencing employment as a School Social Worker in 1990, Program Specialist in Alternative Education in 1996, Dean of Students for Career and technical Education in 1998, Principal of Career and Technical Education in 2001, and most recently appointed to the position of Assistant Superintendent for Instruction in 2005.

Facilities

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

Financial Information

Funding of OHM BOCES comes from the 12 component school districts. Each pays a proportional share of OHM BOCES administrative expenses (based on either attendance or enrollment formulas) through tax levies, and local school boards vote on its administrative budget each spring. The portion of the budget allocated to payments to the Authority, however, is not subject to such vote of the local school boards. The 2008/09 administrative budget was passed on April 22, 2008 by a unanimous vote. OHM BOCES programs are funded by the districts based on each component school district’s program use. The State gives the component school districts BOCES aid moneys to partially reimburse them for BOCES services and administrative expenses.

The following chart shows, for the fiscal year ending June 30, 2007, for each component school district, (a) the total amount payable from the school district to OHM BOCES and the percentage such amount represents of OHM BOCES overall receipts from component school districts, and (b) the proportionate share of OHM BOCES administrative expenses paid by such component school district and the percentage such amount represents of OHM BOCES overall administrative expenses.

**COMPONENT SCHOOL DISTRICTS' SHARE OF OHM BOCES EXPENSES
2006-07**

<u>COMPONENT SCHOOL DISTRICT</u>	<u>TOTAL AMOUNT PAID TO BOCES</u>	<u>PERCENTAGE SHARE OF TOTAL BOCES RECEIPTS</u>	<u>AMOUNT ALLOCATED TO ADMINISTRATIVE EXPENSES</u>	<u>PERCENTAGE SHARE OF ADMINISTRATIVE EXPENSES</u>
BROOKFIELD	\$1,201,642	3.2%	\$16,460	1.1%
CLINTON	1,347,627	3.6%	100,017	6.7%
HOLLAND PATENT	2,521,767	6.8%	114,763	7.7%
NEW HARTFORD	3,232,513	8.7%	166,258	11.1%
NEW YORK MILLS	2,099,710	5.7%	38,578	2.6%
ORISKANY	1,871,267	5.0%	48,008	3.2%
REMSEN	937,327	2.5%	37,378	2.5%
SAUQUOIT	2,668,402	7.2%	78,071	5.2%
UTICA	11,236,089	30.3%	529,406	35.4%
WATERVILLE	1,799,500	4.9%	64,354	4.3%
WESTMORELAND	2,287,414	6.2%	72,184	4.8%
WHITESBORO	5,852,973	15.8%	226,897	15.5%
TOTAL	\$37,056,231	100.0%	\$1,492,374	100.0%

**OHM BOCES REVENUES AND EXPENSES
FISCAL YEAR END SURPLUS
SCHOOL YEAR ENDING JUNE 30**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
GENERAL FUND REVENUE	\$29,868,424	\$31,977,551	\$35,529,890	\$38,895,709	\$40,955,150
GENERAL FUND EXPENDITURES	<u>(27,539,144)</u>	<u>(29,628,874)</u>	<u>(33,131,035)</u>	<u>(36,525,281)</u>	<u>(38,776,059)</u>
 SURPLUS	 \$2,329,280	 \$2,348,677	 \$2,398,855	 \$2,370,428	 \$2,179,091

STATE AID APPROPRIATIONS TO OHM BOCES

<u>SCHOOL YEAR ENDING JUNE 30,</u>	<u>STATE AID</u>
2008	\$16,078,568*
2007	14,938,894
2006	14,206,662
2005	13,029,516
2004	11,467,703
2003	10,579,077

* This is an unaudited figure.

Litigation

There are no suits pending or, to the knowledge of the members of the OHM BOCES Board, threatened against OHM BOCES wherein an unfavorable result would have a material adverse effect on the financial condition of OHM BOCES or the Series 2008 Bonds. Any litigation pending is generally of a routine nature which does not affect the right of OHM BOCES to conduct its business or affect the validity of its obligations.

PART 6 - THE PROJECT

The Project consists of additions and renovations at the Middle Settlement Road campus in New Hartford as follows: Renovated Career & Technical Education work areas; new space and renovated classrooms for both the junior and senior high alternative education programs and special education classrooms; and renovated space for Program and Professional Development.

PART 7 – ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Par Amount of Series 2008 Bonds	\$38,550,000.00
Net Original Issue Premium/(Discount).....	<u>2,038,302.00</u>
Total Sources	<u>\$40,588,302.00</u>

Uses of Funds

Deposit to the Construction Fund	\$39,581,937.29
Cost of Issuance*	737,964.71
Underwriters' Discount	<u>268,400.00</u>
Total Uses	<u>\$40,588,302.00</u>

*Includes Bond Insurance and Surety Bond premiums.

PART 8 – THE AUTHORITY

Background, Purposes and Powers

The Authority is a body corporate and politic constituting a public benefit corporation. The Authority was created by the Act for the purpose of financing and constructing a variety of facilities for certain independent colleges and universities and private hospitals, certain not-for-profit institutions, public educational institutions including The State University of New York, The City University of New York and Boards of Cooperative Educational Services ("BOCES"), certain school districts in the State, facilities for the Departments of Health and Education of the State, the Office of General Services, the Office of General Services of the State on behalf of the Department of Audit and Control, facilities for the aged and certain judicial facilities for cities and counties. The Authority is also authorized to make and purchase certain loans in connection with its student loan program. To carry out this purpose, the Authority was given the authority, among other things, to issue and sell negotiable bonds and notes to finance the construction of facilities of such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions.

On September 1, 1995, the Authority through State legislation (the "Consolidation Act") succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the "Agency") and the Facilities Development Corporation (the "Corporation"), each of which will continue its corporate existence in and through the Authority. Under the Consolidation Act, the Authority has also acquired by operation of law all assets and property, and has assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, and notes or other obligations. Under the Consolidation Act, as successor to the powers, duties and functions of the Agency, the Authority is authorized to issue and sell negotiable bonds and notes to finance and refinance mental health services facilities for use directly by the New York State Department of Mental Hygiene and by certain voluntary agencies. As such successor to the Agency, the Authority has acquired additional authorization to issue bonds and notes to provide certain types of financing for certain facilities for the Department of Health, not-for-profit corporations providing hospital, medical and residential health care facilities and services, county and municipal hospitals and nursing homes, not-for-profit and limited profit nursing home companies, qualified health maintenance organizations and health facilities for municipalities constituting social services districts. As successor to the Corporation, the Authority is authorized, among other things, to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories and other 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, make reasonable rules and regulations to assure the maximum use of facilities, borrow money, issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance.

In addition to providing financing, the Authority offers a variety of services to certain educational, governmental and not-for-profit institutions, including advising in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, designing interiors of projects and designing and managing projects to rehabilitate older facilities. In succeeding to the powers, duties and functions of the Corporation as described above, the scope of design and construction services afforded by the Authority has been expanded.

Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority)

At June 30, 2008, the Authority had approximately \$35.8 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

The Authority's bonds and notes include both special obligations and general obligations of the Authority. The Authority's special obligations are payable solely from payments required to be made by or for the account of the institution for which the particular special obligations were issued or from borrowers in connection with its student loan program. Such payments are pledged or assigned to the trustees for the holders of respective special obligations. The Authority has no obligation to pay its special obligations other than from such payments. The Authority's general obligations are payable from any moneys of the Authority legally available for the payment of such obligations. However, the payments required to be made by or for the account of the institution for which general obligations were issued generally have been pledged or assigned by the Authority to trustees for the holders of such general obligations. The Authority has always paid the principal of and interest on its special and general obligations on time and in full.

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. 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 Authority meetings. The members of the Authority 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 the Authority annually choose the following officers, of which the first two must be members of the Authority: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of the Authority are as follows:

GAIL H. GORDON, Esq., *Chair*, Slingerlands.

Gail H. Gordon was appointed as a Member of the Authority by the Governor on May 10, 2004. Ms. Gordon served as Deputy Commissioner and General Counsel for the Office of Children and Family Services from September 15, 1997 to December 31, 2006. She previously was of counsel to the law firm of Helm, Shapiro, Anito & McCale, P.C., in Albany, New York, where she was engaged in the private practice of law. From 1987 to 1993, Ms. Gordon served as Counsel to the Comptroller of the State of New York where she directed a legal staff of approximately 40 attorneys, was responsible for providing legal and policy advice to the State Comptroller and his deputies in all areas of the State Comptroller's responsibilities, including the supervision of accounts of public authorities and in the administration, as sole trustee, of the New York State Employees Retirement System and the Policemen's and Firemen's Retirement System. She served as Deputy Counsel to the Comptroller of the State of New York from 1983 to 1987. From 1974 to 1983, Ms. Gordon was an attorney with the law firm of Hinman, Howard & Kattell, Binghamton, New York, where she concentrated in areas of real estate, administrative and municipal law. Ms. Gordon holds a Bachelor of Arts degree from Smith College and a Juris Doctor degree from Cornell University School of Law. Ms. Gordon's term expired on March 31, 2007 and by law she continues to serve until a successor shall be chosen and qualified.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer 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 is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. 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 expires on March 31, 2010.

JOSE ALBERTO CORVALAN, M.D., *Secretary*, Armonk.

Dr. Corvalan was appointed as a Member of the Authority by the Governor on June 22, 2005. Dr. Corvalan was Chief of Laparoscopic Surgery at St. Vincent's Midtown Hospital in Manhattan. Dr. Corvalan is a Diplomate, American Board of Surgery, and is a Fellow of the American College of Surgeons and the New York Academy of Medicine. Dr. Corvalan has held a number of teaching positions and is Associate Professor of Surgery at New York Medical College, Valhalla, New York. His term expired on March 31, 2008 and by law he continues to serve until a successor shall be chosen and qualified.

BRIAN RUDER, Scarsdale.

Mr. Ruder was appointed as a Member of the Authority on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions, including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of Marketing, New Products and Sales for Pepsi USA in the mid-1980s. Mr. Ruder is a member of the board of the New York State Foundation for Science, Technology and Academic Research (NYSTAR), and also serves as chair of the board of the Adirondack Council, board member and secretary of the New York Metro Chapter of the World Presidents' Organization, and an advisory board member of PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expires on March 31, 2009.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on April 26, 2004. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. He is a member of the Board of Directors of Natural Health Trends Inc., a public company, where he chairs the Audit Committee. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expired on August 31, 2007 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

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

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

KEVIN R. CARLISLE, Averill Park.

Mr. Carlisle was appointed as a Member of the Authority by the Temporary President of the Senate on January 29, 2007. After a career in public housing and business consulting, Mr. Carlisle retired in 2003 as Assistant Commissioner of the state Division of Housing and Community Renewal ("DHCR") and Vice President of the New York State Housing Trust Fund Corporation. He was responsible for capital development programs which financed approximately 4,000 units annually, with a total development cost of \$500 million. He conceived the state's Homes for Working Families Program, which received the 1999 Award for Program Excellence from the National Council of State Housing Finance Agencies. Similarly, Mr. Carlisle implemented the Rural Leveraging Partnership Program, which was cited as a national model by U.S. Rural Housing Services. He also served at DHCR as Director of Underwriting, Deputy Director of the Office of Rural Development, and designed the housing strategy that met the state's off-site commitment to induce the U.S. Army's 10th Mountain Division to locate at Fort Drum. Before he joined DHCR in 1982, Mr. Carlisle was a partner in Barrett Carlisle & Co., a real estate development and consulting firm, and served the City of Troy and the City of Cohoes in economic planning and real estate project management. Mr. Carlisle earned both a Bachelor's degree in Economics and a Master's degree in Urban and Environmental Studies from Rensselaer Polytechnic Institute.

RICHARD P. MILLS, *Commissioner of Education of the State of New York*, Albany; *ex-officio*.

Dr. Mills became Commissioner of Education on September 12, 1995. Prior to his appointment, Dr. Mills served as Commissioner of Education for the State of Vermont since 1988. From 1984 to 1988, Dr. Mills was Special Assistant to Governor Thomas H. Kean of New Jersey. Prior to 1984, Dr. Mills held a number of positions within the New Jersey Department of Education. Dr. Mills' career in education includes teaching and administrative experience at the secondary and postsecondary education levels. Dr. Mills holds a Bachelor of Arts degree from Middlebury College and a Master of Arts, a Master of Business Administration and a Doctor of Education degree from Columbia University.

LAURA L. ANGLIN, *Budget Director of the State of New York*, Albany; *ex-officio*.

Ms. Anglin was appointed Budget Director on January 1, 2008. As Budget Director, she 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, as well as pensions and employee benefits. Ms. Anglin previously served as First Deputy Budget Director from January 2007 to December 2007. She was appointed Deputy Comptroller of the Division of Retirement Services in January 2003 and was responsible for overseeing the administration and managing the operations of the New York State and

Local Retirement System. From 1996-2003, Ms. Anglin worked in the New York State Assembly where she served as Director of Budget Studies for the Assembly Ways and Means Committee and as First Deputy Fiscal Director for the Committee. Ms. Anglin has also held the position of Econometrician in the Department of Taxation and Finance from 1992-1996 and began her career as an Economist for the Department of Environmental Conservation. Ms. Anglin holds a Bachelor of Arts degree and a Masters degree in Economics from the State University of New York at Albany.

RICHARD F. DAINES, M.D., *Commissioner of Health, Albany; ex-officio.*

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke's-Roosevelt Hospital Center since 2002. Before joining St. Luke's-Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the Executive Director and chief administrative and operating officer of the Authority. Mr. Williams is responsible for the overall management of the Authority's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior thereto, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

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

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority 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. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

JOHN G. PASICZNYK is the Chief Financial Officer of the Authority. Mr. Pasicznyk is responsible for investment management and accounting, as well as the development of the financial policies for the Authority. Before joining the Authority in 1985, Mr. Pasicznyk worked in audit positions at KPMG Peat Marwick and Deloitte & Touche. He holds a Bachelor's degree from Syracuse University and a Master of Business Administration degree from the Fuqua School of Business at Duke University.

JEFFREY M. POHL is General Counsel to the Authority. Mr. Pohl is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all Authority financings. He is a member of the New York State Bar, and most recently served as a counsel in the public finance group of a large New York law firm. Mr. Pohl had previously served in various capacities in State government with the Office of the State Comptroller and the New York State Senate. He holds a Bachelor's degree from Franklin and Marshall College and a Juris Doctor degree from Albany Law School of Union University.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority 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 Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. 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.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that these claims and litigation are covered by the Authority's insurance or by bonds filed with the Authority should the Authority be held liable in any of such matters, or that the Authority has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such litigation.

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 the Authority 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. The Authority has obtained the approval of the PACB for the issuance of the Series 2008 Bonds.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect the Authority and its operations. The Authority 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 the Authority) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect the Authority and its operations.

Environmental Quality Review

The Authority 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 respecting the Project to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2008. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 9 – LEGALITY OF THE SERIES 2008 BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2008 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 2008 Bonds.

The Series 2008 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 2008 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 2008 Bonds.

PART 11 – TAX MATTERS

In the opinion of Hiscock & Barclay, LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2008 Bonds is exempt from personal income taxes

of the State of New York and its political subdivisions. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

The Series 2008 Bonds may be initially offered to the public at prices greater than the amount payable with respect to such Bonds at maturity (the "Premium Bonds"). As a result of requirements under the Code relating to tax cost reduction associated with the amortization of bond premium, under certain circumstances the initial owner of a Premium Bond may realize taxable gain upon disposition thereof even though sold or redeemed for an amount less than or equal to such owner's original acquisition cost. The amortization requirements may also result in the reduction of the amount of stated interest, which an owner of a Premium Bond is treated as having received for Federal tax purposes. Owners of Premium Bonds are advised to consult with their own tax advisers with respect to the tax consequences of owning such Premium Bonds.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2008 Bonds. The Authority and OHM BOCES have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2008 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2008 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2008 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2008 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2008 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes of the State of New York and its political subdivisions, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2008 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2008 Bonds. Prospective purchasers of the Series 2008 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2008 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or OHM BOCES, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

PART 12 – STATE NOT LIABLE ON THE SERIES 2008 BONDS

The Act provides that notes and bonds of the Authority 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 the Authority. The Master Resolution specifically provides that the Series 2008 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 the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of the Authority'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 agreements 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 agreements with the Authority and with the holders of the Authority'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 OHM BOCES to the Authority 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 2008 Bonds by the Authority are subject to the approval of Hiscock & Barclay, LLP, Albany, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2008 Bonds. The proposed form of Bond Counsel's opinion is set forth in Appendix E hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Bond, Schoeneck & King, PLLC, Syracuse, New York and for OHM BOCES by its counsel, Ferrara, Fiorenza, Larrison, Barrett & Reitz, P. C. East Syracuse, New York.

There is no pending litigation restraining or enjoining the issuance or delivery of the Series 2008 Bonds or questioning or affecting the validity of the Series 2008 Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to finance the Project in accordance with the provisions of the Act, the Master Resolution and the Agreement.

PART 15 – UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2008 Bonds from the Authority at an aggregate purchase price of \$40,319,902 and to make a public offering of the Series 2008 Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2008 Bonds if any are purchased.

The Series 2008 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

PART 16 – RATINGS

Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings are expected to assign the Insured Bonds a rating of Aaa - on watch for possible downgrade, AAA, and AAA, respectively, based upon the understanding that the payment of principal of and interest on the Insured Bonds will be guaranteed by an insurance policy to be issued by FSA simultaneously with the delivery of the Series 2008 Bonds. Please see "PART 2 – SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2008 BONDS – Bond Insurance Policy, " – Financial Security Assurance Inc." and " – Recent Events Regarding FSA's Ratings". Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings are expected to assign the uninsured Series 2008 Bonds a rating of A1, A+, and A+, respectively. Each such 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 2008 Bonds.

PART 17 – CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), OHM BOCES has undertaken in a written agreement for the benefit of the Series 2008 Bondholders to provide to Digital Assurance Certification LLC ("DAC"), on behalf of the Authority as the Authority's disclosure dissemination agent, on or before 120 days after the end of each fiscal year, commencing with the fiscal year of OHM BOCES ending June 30, 2008 for filing by DAC with each nationally recognized municipal securities information repository designated by the Securities and Exchange Commission in accordance with Rule 15c2-12 (each a "Repository"), and if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis, operating data and financial information of the type hereinafter described which is included in this Official Statement (the "Annual Information"), together with OHM BOCES' annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted accounting standards.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from OHM BOCES, DAC has undertaken in a written agreement for the benefit of the Bondholders, on behalf of and as agent for OHM BOCES, to file such information and financial statements, as promptly as practicable, but no later than three business days after receipt of the information by DAC from OHM BOCES, with each such Repository and with the State Information Depository. In addition, the Authority has undertaken, for the benefit of the Series 2008 Bondholders, to provide DAC in a timely manner, the notices required to be provided by Rule 15c2-12 and described below (the "Notices").

The Annual Information will consist of the following: (a) operating data and financial information of the type included in this Official Statement in "PART 5 – OHM BOCES" under the heading "Financial Information" (only to the extent that this information is not included in the audited financial statements of OHM BOCES), together with (b) a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning OHM BOCES and in judging the financial and operating condition of OHM BOCES.

The Notices include notice of any of the following events with respect to the Series 2008 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the Series 2008 Bonds; (7) modifications to rights of the Holders of the Series 2008 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2008 Bonds; and (11) rating changes. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2008 Bonds, to provide to each Repository or the MSRB and the State Information Depository, in a timely manner, notice of any failure by OHM BOCES to provide the Annual Information and annual financial statements by the date required in OHM BOCES' undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of OHM BOCES and/or the Authority, and no person, including any Holder of the Series 2008 Bonds, may recover monetary damages thereunder under any circumstances. The Authority or OHM BOCES may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2008 Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2008 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of Outstanding Series 2008 Bonds. However, the Trustee is not required to take any enforcement action unless so directed by the Holders of not less than 25% in aggregate principal amount of Outstanding Series 2008 Bonds. A breach or default under the Continuing Disclosure Agreement will not constitute an Event of Default under the Master Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, will no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may under certain circumstances be amended or modified without the consent of Holders of the Series 2008 Bonds. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2008 Bonds will be on file at the principal office of the Authority.

PART 18 – SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning OHM BOCES included in this Official Statement has been furnished or reviewed and authorized for use by the Authority by such sources as described below. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on certificates from each source, to be delivered at or prior to the time of delivery of the Series 2008 Bonds, as to the accuracy of such information provided or authorized by it.

OHM BOCES. The information in "PART 5 – OHM BOCES," "PART 6 – THE PROJECT," "PART 7 – ESTIMATED SOURCES AND USES OF FUNDS" and "Appendix B – Financial Statements of OHM BOCES" was supplied by OHM BOCES. The Authority believes that this information is reliable, but the Authority 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. The Authority believes that this information is reliable, but the Authority makes no representations or warranties whatsoever to the accuracy or completeness of this information.

The information contained herein relating to the Insurer, the Policy, the Surety Bond and "Appendix F – Specimen Municipal Bond Insurance Policy and Specimen Surety Bond" has been reviewed for accuracy by the Insurer. The Authority believes that this information is reliable, but 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. The Authority 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 E – Form of Approving Opinion of Bond Counsel" have been prepared by Hiscock & Barclay, LLP, Albany, New York, Bond Counsel.

Independent Auditors. "Appendix B – Financial Statements of OHM BOCES" have been prepared by West & Company CPA's PC, OHM BOCES' independent auditors.

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

The Authority will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2008 Bonds, the information contained in this Official Statement is and will be fairly presented in all material respects, and that this Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (it being understood that the Authority has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to OHM BOCES, but which information the Authority has no reason to believe is untrue or incomplete in any material respect).

The references herein to the Act, other laws of the State, the Resolutions, the Agreement and the Agreement of Lease are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Authority with the registered owners of the Series 2008 Bonds are fully set forth in the Resolutions, and neither any advertisement of the Series 2008 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2008 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 the Authority and the Trustee.

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

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

By: /s/ Paul T. Williams, Jr.
Authorized Officer

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DEFINITIONS

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DEFINITIONS

The following are definitions of certain of the terms defined herein, or in the Master Resolution, as amended by the First Supplemental 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 Master Resolution, the Lease Agreement, 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 Master 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 Agreement of Lease, the Agreement, or any document, instrument or agreement related thereto in accordance with its terms.

Agreement means the Lease and Agreement between the Authority and a BOCES, in connection with the issuance of an Applicable Series of Bonds, as from time to time amended or supplemented in accordance with the terms of the provisions of the Master Resolution and of the terms thereof.

Agreement of Lease (or "*Lease Agreement*") means that certain Agreement of Lease, dated as July 23, 2008, between the BOCES and the Authority entered into in connection with the issuance of the Series 2008 Bonds, as from time to time amended or supplemented in accordance with the terms of the provisions thereof.

Annual Administrative Fee when used with respect to any Bond Year, means 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 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 semiannual 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 pursuant to the Master Resolution.

Authority means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which will succeed to the rights, powers, duties and functions of the Authority.

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 herein 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 Supervising District of Oneida, Herkimer and Madison Counties, New York with respect to the Series 2008 Bonds and with respect to an Applicable Series of Bonds, the board of cooperative educational services for whose benefit the Authority will have issued such Series and with whom the Authority will have executed an Agreement and Lease Agreement.

Bond or *Bonds* means any of the bonds of the Authority, including the Series 2008 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 2008 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 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.

Book Entry Bond means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository directly or indirectly for the beneficial owners thereof.

Building and Equipment Reserve Fund means the fund so designated and established by the Applicable Series Resolution pursuant to the Master 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, 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 or tendered for purchase or redemption, 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 each such fund so designated, created and established by the Applicable Series Resolution pursuant to the Master Resolution.

Debt Service Reserve Fund means each such fund so designated, created and established by the Applicable Series Resolution pursuant to the Master 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, if any, 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 semiannually 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.

Environmental Laws means the federal, state, county and local statutes, ordinances and regulations, as may be independently applicable or applied to all or any part of the Leased Property by any governmental authority or any permit or approval applicable to all or any part of the Leased Property, pertaining to the protection of human health and the environment, including without limitation, those pertaining to the discharge of pollutants to surface and ground water, emissions to the air and contamination of soil or groundwater by Hazardous Substances.

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 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.

Insured Bonds means the Series 2008 Bonds maturing on August 15 of the years 2014 through 2024, inclusive.

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.

Lease Agreement or Agreement of Lease means the Agreement of Lease between the BOCES and the Authority in connection with the issuance of an Applicable Series of Bonds, as from time to time amended or supplemented in accordance with the terms of the Master Resolution and the Applicable Lease Agreement.

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 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 Master BOCES Program Lease Revenue Bond Resolution, adopted by the Authority on August 15, 2001, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

Memorandum of Understanding means the Memorandum of Understanding, among the Authority, the New York State Department of Education and the Office of State Comptroller regarding the direct payment by the Comptroller of BOCES aid to the Trustee.

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 Agreement of Lease and Agreement;
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 means the acquisition, design, construction, reconstruction, rehabilitation, improvement and equipping of "board of cooperative educational services school facilities" as defined in the Act.

Provider Payments means the amount, certified by a Facility Provider to the Trustee, payable to such Facility Provider on account of amounts advanced by it under a Reserve Fund Facility, including interest on amounts advanced and fees and charges with respect thereto.

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.

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.

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 2008 Resolution, authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Master Resolution.

Series 2008 Bond Series Certificate means the Certificate of an authorized officer of the Authority, fixing terms, conditions and other details of the Series 2008 Bonds.

Series 2008 Resolution means the Series 2008 Resolution Authorizing Up to \$40,000,000 Master BOCES Lease Program Revenue Bonds (Oneida Herkimer Madison Issue), Series 2008, adopted by the Authority on July 23, 2008.

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 by the Master Resolution 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, with respect to Bonds of a Series, 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.

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

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

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

Dear Board Members:

We have audited the basic financial statements of Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services (BOCES), as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the BOCES' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of BOCES as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2007, on our consideration of 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We performed our audit to form an opinion on the basic financial statements of BOCES, taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the BOCES. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the BOCES. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

WEST & COMPANY CPAs PC

September 13, 2007

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

This section of the Oneida, Herkimer and Madison Counties BOCES' annual financial report represents its discussion and analysis of financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net assets decreased by \$210,270 predominantly because of an increase in Reserves and a reduction of \$323,170 for Capital Projects.
- Revenues increased by \$2,179,021 primarily as the result of increased participation in BOCES' programs and increases to charges for services.
- The BOCES continued to offer all programs without reducing services.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that provide additional information about these financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the BOCES' budgets for the 2007 and 2006 fiscal years. Chart 1 will show how the various parts of this annual report are arranged to one another.

Chart 1: Organization of the BOCES Annual Financial Report

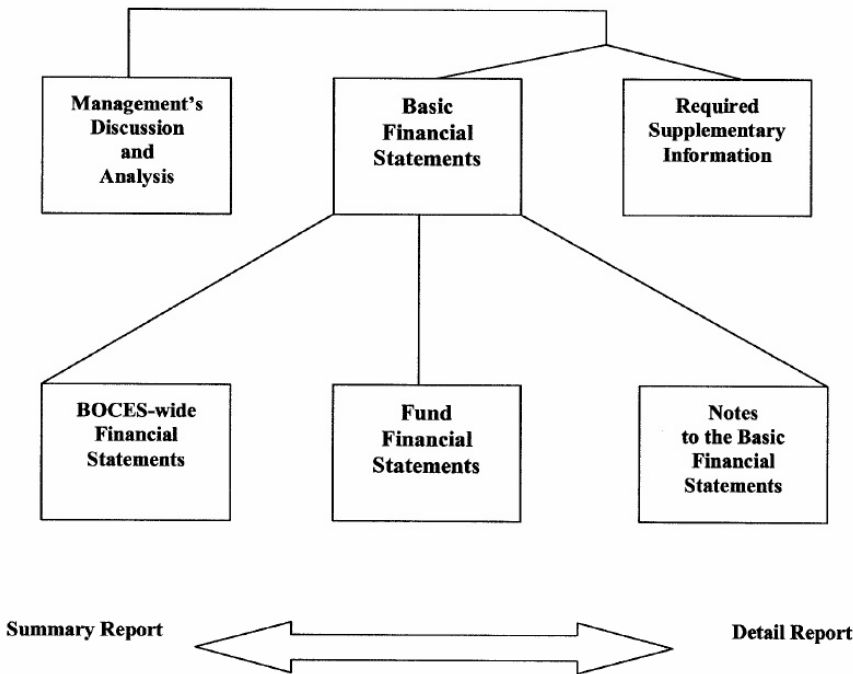


Table 1 summarizes the major features of the BOCES' financial statements, including the portion of the BOCES' activities and the types of information that these statements contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

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

	BOCES-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	Operating activities	The BOCES administration of resources on behalf of others
Basic financial statements	- Statement of Net Assets - Statement of Activities	- Balance Sheet - Statement of Revenues, Expenditures and Changes in Fund Balances	- Statement of Fiduciary Net Assets - Statement of Changes in Fiduciary Net Assets
Accounting basis	Full accrual	Modified Accrual	Full Accrual
Measurement focus	Economic resources	Current financial resources	Economic resources
Type of asset and liability information	All	Current	All
Type of inflow and outflow information	All revenues and expenses earned or incurred during year	All revenues for which cash is received; expenditures when goods or services received	All additions and deductions during the year

BOCES-Wide Statements

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

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

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

Net assets differ from the governmental fund balance because governmental fund level statements only report transactions using or providing current financial resources. For example:

- Capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets;
- The financial resources that may have been borrowed are considered revenue when they are received;
- The principal and interest payments are both considered expenditures when paid;
- Depreciation is not calculated if it does not provide or reduce current financial resources; and
- Capital assets and long-term debt are both accounted for in account groups and do not affect the fund balance.

BOCES-wide statements are reported using an economic resources measurement focus and full accrual basis of accounting. This involves the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net asset balances as follows:
 - Net assets invested in capital assets, net of related debt;
 - Restricted net assets are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation; and
 - Unrestricted net assets are net assets that do not meet any of the above restrictions.

The **Statement of Activities** is the BOCES-wide financial statement used to report changes in net assets in the Statement of Net Assets. The statement is designed to present expenses before revenues. This order is designed to emphasize that governments do not seek to maximize revenue which, in the private sector, filter to the bottom line. However, a government first determines which services are needed and by whom, and then the government raises the required resources. Governments raise revenues from a number of sources including fees for services, federal and State grants and investment earnings.

Fund Financial Statements

The fund financial statements provide detailed information about each of the BOCES funds. Funds are accounting devices authorized by New York State law that the BOCES used to keep track of specific revenue and expenditures for its programs.

The BOCES has two kinds of funds:

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

6.

FINANCIAL ANALYSIS OF THE BOCES AS AN ENTITY

The BOCES' net assets were more on June 30, 2007, than they were the year before, increasing 1.5% to approximately \$13,669,500, as detailed in Table 2.

Table 2: Condensed Statement of Net Assets – Governmental Activities

<u>Category</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>	<u>Dollar Change</u>	<u>Percent Change (Increase; Decrease)</u>
<u>ASSETS</u>				
Current and other assets	\$ 17,418,274	\$ 17,548,530	\$ (130,256)	-0.7
Capital assets	7,672,482	7,113,543	558,939	7.9
Total Assets	25,090,756	24,662,073	428,683	1.7
<u>LIABILITIES</u>				
Current and non current liabilities	11,421,256	10,782,303	638,953	5.9
Total Liabilities	11,421,256	10,782,303	638,953	5.9
<u>NET ASSETS</u>				
Investment in capital assets, net of related debts	7,672,482	7,113,543	558,939	7.9
Restricted (a)	1,249,797	1,572,967	(323,170)	-20.5
Unrestricted (b)	4,747,221	5,193,260	(446,039)	-8.6
TOTAL NET ASSETS	\$ 13,669,500	\$ 13,879,770	\$ (210,270)	-1.5

The changes detailed in Table 2 include increases in Total Assets of \$428,683 and increases in Total Liabilities of \$638,953.

Capital assets net of related debt increased by \$558,939.

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

Changes in Net Assets

The BOCES' total fiscal year 2007 revenues totaled \$46,845,034 (see Table 4). Charges for services accounted for most of the BOCES' revenue by contributing more than 93.4% (see Chart 2). The remainder came from operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$44,142,658 for the fiscal year 2007. These expenses are predominantly related to instruction, itinerant services and instructional support (see Table 3A). The BOCES' administrative activities accounted for 5% of the total costs.

Net assets resulting from operations decreased by \$210,270.

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

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

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

Table 3A: Gross Cost of Governmental Activities – Expenditures

<u>Category</u>	<u>Expenditure 2007</u>	<u>Expenditure 2006</u>	<u>Percent Change (Increase; -Decrease)</u>
Instruction – Disabled	\$ 11,196,687	\$ 10,798,698	3.7
Instruction – Career	4,542,543	4,445,193	2.2
Instructional Support	6,912,817	6,507,326	6.2
General Instruction	6,602,685	5,892,935	12.0
Other Services	6,110,148	6,105,451	0.1
Itinerant	2,137,105	1,686,686	26.7
Administration	2,218,697	1,808,716	22.7
Capital Expenses	0	341,212	(100.0)
Food Services/Lunch	3,889,592	3,533,371	10.1
Depreciation	532,384	534,629	(0.4)
Total Expenses	\$ 44,142,658	\$ 41,654,217	6.0

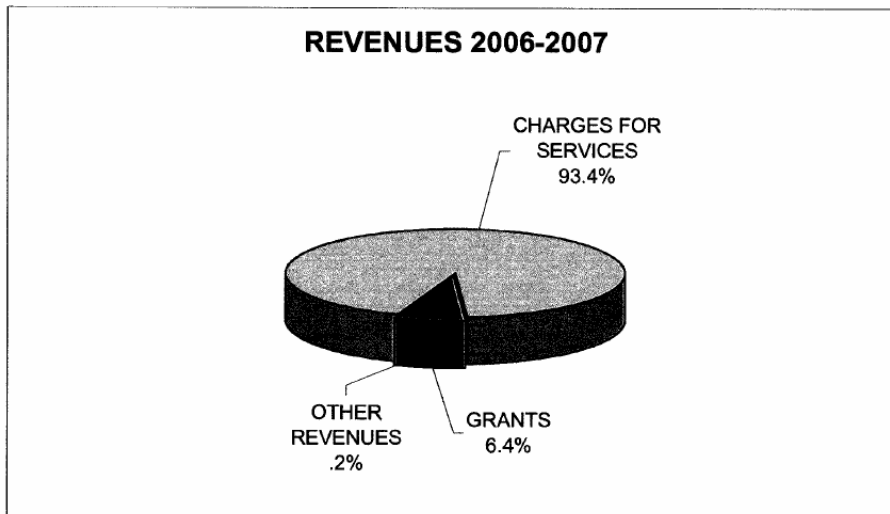
Table 3B: Net (Cost) Surplus of Governmental Activities

<u>Category</u>	<u>Net Surplus (Net Expenditure) 2007</u>	<u>Net Surplus (Net Expenditure) 2006</u>	<u>Percent Change (Increase; -Decrease)</u>
Instruction – Disabled	\$ 1,083,454	\$ 960,472	12.80
Instruction – Career	209,180	174,465	19.90
Instructional Support	75,737	302,203	(74.94)
General Instruction	654,611	703,211	(6.91)
Other Services	749,336	456,395	64.19
Itinerant	74,664	203,316	(63.28)
Administration, Including Capital Expenditures	671,019	319,478	110.04
Food Services/Lunch	(384,568)	(8,336)	4,513.34
Depreciation	(532,384)	(534,629)	(0.42)
Total Surplus	\$ 2,601,049	\$ 2,576,575	0.95

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

<u>Category</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>	<u>Percent Change (Increase; -Decrease)</u>
<u>REVENUE</u>			
Program Revenues			
Charges for Services			
Component Schools, Other BOCES and Miscellaneous Local Sources	\$ 43,731,231	\$ 41,467,905	5.46
Grants	3,012,476	2,762,887	9.03
Other Revenues	<u>101,327</u>	<u>435,221</u>	(76.72)
Total Revenues	<u>46,845,034</u>	<u>44,666,013</u>	4.88
<u>EXPENSES</u>			
Administration	2,218,697	1,808,716	22.67
Capital Expenses	0	341,212	(100.00)
Instruction/Career	4,542,543	4,445,193	2.19
Instruction/Disabled	11,196,687	10,798,698	3.69
Itinerant Services	2,137,105	1,686,686	26.70
General Instruction	6,602,685	5,892,935	12.04
Instructional Support	6,912,817	6,507,326	6.23
Other Services	6,110,148	6,105,451	0.08
Food Services/Lunch	3,889,592	3,533,371	10.08
Depreciation	<u>532,384</u>	<u>534,629</u>	(0.42)
Total Expenses	<u>44,142,658</u>	<u>41,654,217</u>	5.97
Revenue in Excess of Expenses	2,702,376	3,011,796	(10.27)
Less Surplus Returned to Schools	<u>2,912,646</u>	<u>2,227,152</u>	30.78
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (210,270)</u>	<u>\$ 784,644</u>	(126.80)

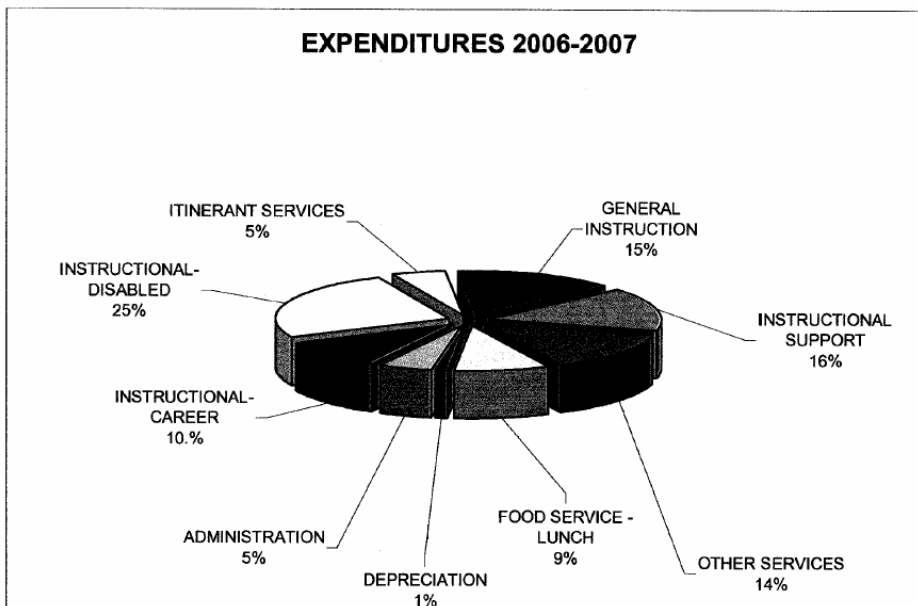
Chart 2: Sources of Revenues for Fiscal Year 2007



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

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

Chart 3: Expenditures for Fiscal Year 2007



10.

FINANCIAL ANALYSIS OF THE BOCES' FUNDS

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

Fixed Assets (net of depreciation)

For the Years Ended June 30, 2007 and 2006

<u>Category</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>	<u>Percent Change (Increase -Decrease)</u>
Land	\$ 142,313	\$ 142,313	0
Construction in progress	518,555	0	N/A
Buildings	4,873,216	5,022,636	(2.9)
Furniture and equipment	<u>2,138,398</u>	<u>1,948,594</u>	9.7
TOTAL FIXED ASSETS	<u>\$ 7,672,482</u>	<u>\$ 7,113,543</u>	7.8

Current year depreciation amounted to \$532,384.

FACTORS BEARING ON THE BOCES' FUTURE

At the time these financial statements were prepared and audited, the BOCES was aware of the following existing circumstances that could significantly affect its future finances and infrastructure:

- The components approved a \$38.55 million plan to address facility needs through renovation of current facilities and the addition of 90,000 square feet of new construction. This project is expected to take 3+ years to complete.

CONTACTING THE BOCES' FINANCIAL MANAGEMENT

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

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

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

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Primary Government
CURRENT ASSETS	
Unrestricted cash	\$ 5,124,374
Restricted cash	4,956,452
State and federal aid receivable	6,858,821
Other receivables	358,229
Prepaid expenses	4,750
Inventories	115,648
Total Current Assets	17,418,274
NONCURRENT ASSETS	
Capital assets	14,883,063
Less accumulated depreciation	(7,210,581)
Total Noncurrent Assets	7,672,482
Total Assets	25,090,756
CURRENT LIABILITIES	
Accounts payable/accrued liabilities	492,280
Due to other governments	2,478
Due to component districts	9,002,341
Due to Teachers' Retirement System	1,272,476
Due to Employees' Retirement System	104,332
Deferred revenue	298,928
Total Current Liabilities	11,172,835
NONCURRENT LIABILITIES	
Compensated absences	248,421
Total Liabilities	11,421,256
NET ASSETS	
Investment in capital assets	7,672,482
Restricted for:	
Insurance	157,652
Capital	1,092,145
Unrestricted	4,747,221
TOTAL NET ASSETS	\$ 13,669,500

See accompanying notes.

12.

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenue		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
Administration	\$ 2,218,697	\$ 2,889,716	\$ 0	\$ 671,019
Occupational instruction	4,542,543	4,634,081	117,642	209,180
Instruction for the handicapped	11,196,687	12,103,605	176,536	1,083,454
Itinerant services	2,137,105	2,211,769	0	74,664
General instruction	6,602,685	7,029,553	227,743	654,611
Instructional support	6,912,817	6,468,826	519,728	75,737
Other services	6,110,148	6,707,674	151,810	749,336
Food services	3,889,592	1,686,007	1,819,017	(384,568)
Depreciation – unallocated	532,384	0	0	(532,384)
Total functions and programs	\$ 44,142,658	\$ 43,731,231	\$ 3,012,476	2,601,049
GENERAL REVENUES				
Interest and earnings				98,885
Miscellaneous				2,442
Total general revenues				101,327
CHANGE IN NET ASSETS BEFORE TRANSFER OF SURPLUS				2,702,376
LESS – TRANSFER OF SURPLUS				2,912,646
CHANGE IN NET ASSETS				(210,270)
TOTAL NET ASSETS – BEGINNING OF YEAR				13,879,770
TOTAL NET ASSETS – END OF YEAR				\$ 13,669,500

See accompanying notes.

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

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2007

	Governmental Fund Types				Total Governmental Funds
	General	Special Revenue	School Lunch	Capital Projects	2007
	ASSETS				
Unrestricted - cash and cash equivalents	\$ 3,379,629	\$ 0	\$ 469,983	\$ 1,274,762	\$ 5,124,374
Restricted - cash and cash equivalents	4,956,452	0	0	0	4,956,452
Receivables:					
Other receivables (net of allowance)	67,379	264,170	26,680	0	358,229
State and federal aid receivable	6,643,565	108,312	106,944	0	6,858,821
Prepaid expenses	4,750	0	0	0	4,750
Due from other funds	550,105	0	0	0	550,105
Food inventory	0	0	115,648	0	115,648
TOTAL ASSETS	\$ 15,601,880	\$372,482	\$ 719,255	\$ 1,274,762	\$ 17,968,379
LIABILITIES					
Accounts payable	\$ 36,436	\$ 7,120	\$ 220,669	\$ 182,617	\$ 446,842
Accrued liabilities	1,869	0	43,569	0	45,438
State aid and refunds due school districts	9,002,341	0	0	0	9,002,341
Due to other funds	0	292,559	257,546	0	550,105
Due to other governments	600	1,250	628	0	2,478
Due to Teachers' Retirement System	1,272,476	0	0	0	1,272,476
Due to Employees' Retirement System	104,332	0	0	0	104,332
Deferred revenues	227,375	71,553	0	0	298,928
Total liabilities	10,645,429	372,482	522,412	182,617	11,722,940
FUND BALANCE					
Reserve for retirement	312,994	0	0	0	312,994
Reserve for encumbrances	61,425	3,321	0	0	64,746
Reserve for liability and casualty insurance	157,652	0	0	0	157,652
Reserve for unemployment insurance	50,000	0	0	0	50,000
Reserve for inventory	0	0	115,648	0	115,648
Employee benefit accrued liability reserve	4,374,380	0	0	0	4,374,380
Unreserved – undesignated	0	(3,321)	81,195	1,092,145	1,170,019
Total fund balance	4,956,451	0	196,843	1,092,145	6,245,439
TOTAL LIABILITIES AND FUND BALANCE	\$ 15,601,880	\$372,482	\$ 719,255	\$ 1,274,762	\$ 17,968,379
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO STATEMENT OF NET ASSETS:					
Total fund balance at June 30, 2007 (as reported above)					\$ 6,245,439
Amounts reported for activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds					7,672,482
Liability for compensated absences is not current and is not reported in funds					(248,421)
TOTAL NET ASSETS – STATEMENT OF ACTIVITIES					\$ 13,669,500

See accompanying notes.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Governmental Fund Types				Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	
REVENUES					
Charges for services	\$ 80,046	\$ 0	\$ 1,686,007	\$ 0	\$ 1,766,053
Charges to components	37,053,065	0	0	0	37,053,065
Charges to other BOCES	2,435,520	0	0	0	2,435,520
Interest and earnings	370,023	0	21,448	77,437	468,908
Sale of property and compenstion for loss	188,505	0	0	0	188,505
Miscellaneous	758,832	1,090,074	2,442	0	1,851,348
Interfund revenues	69,159	0	0	483,556	552,715
State sources	0	441,076	119,153	0	560,229
Federal sources	0	752,383	1,699,864	0	2,452,247
Total revenues	40,955,150	2,283,533	3,528,914	560,993	47,328,590
EXPENDITURES					
Administration	2,763,206	0	0	0	2,763,206
Occupational instruction	4,524,711	117,642	0	0	4,642,353
Instruction for the handicapped	10,250,016	1,172,774	0	0	11,422,790
Itinerant services	2,185,310	0	0	0	2,185,310
General instruction	6,490,315	255,539	0	0	6,745,854
Instructional support	6,507,005	549,349	0	0	7,056,354
Other services	6,055,496	188,229	0	0	6,243,725
Cost of sales	0	0	3,613,426	0	3,613,426
Capital outlay	0	0	276,166	518,555	794,721
Total expenditures	38,776,059	2,283,533	3,889,592	518,555	45,467,739
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,179,091	0	(360,678)	42,438	1,860,851
OTHER FINANCING SOURCES (USES)					
Insurance reserve	7,245	0	0	0	7,245
Reserve for retirement	(95,862)	0	0	0	(95,862)
Employee benefit accrued liability	413,595	0	0	0	413,595
Refund of surplus	(2,389,386)	0	0	(523,260)	(2,912,646)
Total other financing sources (uses)	(2,064,408)	0	0	(523,260)	(2,587,668)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	114,683	0	(360,678)	(480,822)	(726,817)
FUND BALANCE – BEGINNING OF YEAR	4,841,768	0	557,521	1,572,967	6,972,256
FUND BALANCE – END OF YEAR	\$ 4,956,451	\$ 0	\$ 196,843	\$ 1,092,145	\$ 6,245,439

See the accompanying notes.

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

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

FOR THE YEAR ENDED JUNE 30, 2007

REVENUES		
Governmental funds		\$ 47,328,590
Deduct:		
Billings to districts for capital fund		<u>483,556</u>
REVENUES – STATEMENT OF ACTIVITIES		46,845,034
EXPENDITURES		
Governmental funds	\$ 45,467,739	
Add:		
Depreciation expense	532,384	
Increase in compensated absence liability	42,392	
Write-off of fixed assets disposed	<u>25,959</u>	
	<u>46,068,474</u>	
Deduct:		
Asset additions	1,117,282	
Net transfers to reserves	324,978	
Transfer to capital fund	<u>483,556</u>	
	<u>1,925,816</u>	
Expenditures per statement of activities		<u>44,142,658</u>
CHANGE IN NET ASSETS BEFORE TRANSFER OF SURPLUS		\$ <u>2,702,376</u>

See notes to financial statements.

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

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Unrestricted cash	\$ 0	\$ 25,213
Restricted cash	43,616	0
Total assets	43,616	25,213
LIABILITIES		
Extraclassroom activity balances	0	4,306
Other liabilities	0	20,907
Total liabilities	0	25,213
NET ASSETS		
Held in trust for:		
Endowment scholarship	43,616	0
TOTAL NET ASSETS	\$ 43,616	\$ 0

See accompanying notes.

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Private donations	\$ 8,276
Interest	<u>1,876</u>
Total additions	10,152
DEDUCTIONS	
Scholarships	<u>10,340</u>
CHANGE IN NET ASSETS	(188)
NET ASSETS – BEGINNING OF YEAR	<u>43,804</u>
NET ASSETS – END OF YEAR	<u>\$ 43,616</u>

See accompanying notes.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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

Reporting Entity – (Continued)

Extraclassroom Activity Funds

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

Joint Venture

There are 12 participating school districts in the BOCES. The BOCES is a joint venture in which the participating districts have an ongoing financial responsibility, no equity interest and no single participant controls the financial or operating policies of the BOCES. The BOCES was formed under State law for the purpose of providing shared educational programs and instruction in subjects approved by the State Education Commissioner. The BOCES governing board is elected based on the vote of members of the participating districts' governing boards. The BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2007, the BOCES billed its component districts for administrative, capital and program costs.

Basis of Presentation

BOCES-Wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the BOCES' governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through fees for service, State Aid, intergovernmental revenues and other exchange and nonexchange transactions. Operating grants include operating specific and discretionary (either operating or capital) grants.

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

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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

Basis of Presentation – (Continued)

Fund Statements

The BOCES reports the following major governmental funds:

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

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

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

The District reports on the following fiduciary funds:

Fiduciary Fund

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Cash and Cash Equivalents/Investments

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

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

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

Other Receivable

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

Inventories

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

Interfund Transactions

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

In the BOCES-wide statements, the amounts reported on the Statement of Net Assets 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 9 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential liabilities and useful lives of long-lived assets.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 1,000	Straight Line	45
Site Improvements	\$ 1,000	Straight Line	20
Vehicles	\$ 1,000	Straight Line	6
Computer Equipment	\$ 1,000	Straight Line	5
Equipment	\$ 1,000	Straight Line	7
Kitchen, Custodial and Maintenance Equipment	\$ 1,000	Straight Line	10
Furniture	\$ 1,000	Straight Line	20

Compensated Absences

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

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

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

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

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

Other Benefits

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

In addition to providing pension benefits, the BOCES provides post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the BOCES and the retired employee. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Budgetary Procedures and Budgetary Accounting

Budget Policies

The budget policies are as follows:

- A. Section 1950 of the Education Law requires adoption of a final budget by no later than May 15 of the ensuing year.
- B. BOCES' administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of the BOCES' Board for the General Fund.
- C. Appropriations for educational services are adopted at the program line item level.
- D. A tentative administrative budget is provided to the component districts for adoption by resolution. Approval of the tentative administrative budget requires the approval of a majority of the component school boards actually voting. During the current year, the administrative budget was approved by a majority of its voting component school boards.
- E. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.
- F. The budget was increased by \$6,633,022 to provide for changes in program services by the component districts. The increases were approved monthly by the Board throughout the year.

Budget Basis of Accounting

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

Deferred Revenues

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the BOCES before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the BOCES has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets 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.

Short-Term Debt

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

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Accrued Liabilities and Long-Term Obligations

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

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

Equity Classifications

BOCES-Wide Statements

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

i) Invested in Capital Assets, Net of Related Debt

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.

ii) Restricted Net Assets

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

iii) Unrestricted Net Assets

Reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund Balance – Reservations and Designations

The following reserve funds are available to BOCES. Any capital gains or interest earned on reserve fund resources becomes part of the respective fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

Unemployment Insurance Reserve

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

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Fund Balance – Reservations and Designations – (Continued)

Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

Reserve for Inventory

Reserve for Inventory is used to restrict that portion of fund equity which is not available for appropriation.

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Insurance Reserve

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

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of 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.

Interfund Transfers

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

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 funds 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 Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total Fund Balance of Governmental Funds vs. Net Assets of Governmental Activities

Total fund balance of the BOCES' governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental funds Balance Sheet.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

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

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

i) Long-Term Revenue Differences

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

ii) Capital Related Differences

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

iii) Long-Term Debt Transaction Differences

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

NOTE 3 – STEWARDSHIP AND COMPLIANCE

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

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

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

The BOCES' aggregate bank balances (disclosed in the financial statements) were all covered by depository insurance or collateralized with a third-party bank in BOCES' name.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end includes \$4,956,452 within the governmental funds and \$43,616 in the fiduciary funds.

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

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

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 5 – INVESTMENT POOL

The BOCES participates in multi-municipal cooperation investment pool agreements pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2007, the School District held \$341 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and considered to be cash equivalents. The following amounts are included as unrestricted cash:

<u>Fund</u>	<u>Amount</u>
General	\$ 341

The above amount represents the cost of the investment pool shares and is considered to approximate fair value. The investment pools are SEC registered and categorically exempt from the New York State collateralization requirements.

NOTE 6 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2007, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 142,313	\$ 0	\$ 0	\$ 142,313
Construction in progress	0	518,555	0	518,555
Total nondepreciable historical cost	<u>142,313</u>	<u>518,555</u>	<u>0</u>	<u>660,868</u>
Capital assets that are depreciated:				
Buildings	8,032,993	0	0	8,032,993
Furniture and equipment	6,144,890	598,727	554,415	6,189,202
Total depreciable historical cost	<u>14,177,883</u>	<u>598,727</u>	<u>554,415</u>	<u>14,222,195</u>
Less accumulated depreciation:				
Buildings	3,010,357	149,420	0	3,159,777
Furniture and equipment	4,196,296	382,964	528,456	4,050,804
Total accumulated depreciation	<u>7,206,653</u>	<u>532,384</u>	<u>528,456</u>	<u>7,210,581</u>
Total depreciable historical cost, net	<u>6,971,230</u>	<u>66,343</u>	<u>25,959</u>	<u>7,011,614</u>
HISTORICAL COST – NET	<u>\$ 7,113,543</u>	<u>\$ 584,898</u>	<u>\$ 25,959</u>	<u>\$ 7,672,482</u>

Depreciation expense was not allocated to governmental functions.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 7 – SHORT-TERM DEBT

Interest paid on short-term debt for the year was \$257,449.

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
RAN maturing 6/26/06 at 3.67%	\$ 0	\$ 3,900,000	\$ 3,900,000	\$ 0
RAN maturing 6/26/06 at 3.69%	0	3,000,000	3,000,000	0
RAN maturing 6/26/06 at 3.75%	0	3,000,000	3,000,000	0

NOTE 8 – LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Other liabilities:					
Compensated absences	\$ 206,029	\$ 42,392	\$ 0	\$ 248,421	\$ 0

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

NOTE 9 – INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2007, were as follows:

<u>Governmental Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 550,105	\$ 0	\$ 0	\$ 0
Special Revenue:				
Special Aid Fund	0	292,559	0	0
School Lunch Fund	0	257,546	0	0
Fiduciary Fund	0	0	0	0
TOTALS	<u>\$ 550,105</u>	<u>\$ 550,105</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

NOTE 10 – PENSION PLANS

General Information

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

Provisions and Administration

The New York State Teachers' Retirement Board administers NYSTRS. The System provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law (NYSRSSL) governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policies

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certified the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>NYSTRS</u>	<u>NYSERS</u>
2007	\$ 1,107,819	\$ 416,059
2006	950,489	525,365
2005	374,701	490,135

Since 1989, the ERS's 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.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 11 – RISK MANAGEMENT

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

The BOCES participates in the Central New York Employees Workers' Compensation Consortium, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The BOCES' share of the liability for unbilled and open claims was not available at June 30, 2007. These liabilities are fully funded within the plan.

NOTE 12 – FUND BALANCE

All of fund balance is reserved and not available for current expenses or expenditures, as reported in the Governmental Funds Balance Sheet.

NOTE 13 – COMMITMENTS AND CONTINGENCIES**Operating Leases**

The BOCES leases certain properties under operating lease agreements which run for five to ten years. Total rental expenditures on such leases for the year ended June 30, 2007, were approximately \$366,445. The future minimum noncancelable operating lease payments are as follows:

2008	\$ 353,157
2009	80,474
2010	29,000
2011	29,000
2012	<u>29,000</u>
TOTAL	\$ <u>520,631</u>

Other Items

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

Litigation

With respect to litigations, counsel is not at this time handling any litigation on behalf of BOCES which in their opinion would have a material monetary effect on the BOCES' June 30, 2007, financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2007

	General Fund			Variance (Fav; -Unfav)
	Original Budget	Final Budget	Actual	
REVENUES				
Local Sources				
Charges for services	\$ 0	\$ 67,500	\$ 80,046	\$ 12,546
Charges to components	31,447,652	37,327,950	37,053,065	(274,885)
Charges to other BOCES	2,225,370	2,435,520	2,435,520	0
Interest and earnings	245,000	245,000	370,023	125,023
Sale of property and compensation for loss	13,500	56,369	188,505	132,136
Miscellaneous	957,988	1,345,462	758,832	(586,630)
Interfund revenue	45,000	89,731	69,159	(20,572)
Total revenues	<u>34,934,510</u>	<u>41,567,532</u>	<u>40,955,150</u>	<u>(612,382)</u>
EXPENDITURES				
Current				
Administration	2,763,747	2,763,747	2,763,206	541
Occupational instruction	4,541,148	4,651,373	4,495,946	155,427
Instruction for handicapped	9,909,468	11,102,174	10,249,707	852,467
Itinerant services	1,917,622	2,243,182	2,185,310	57,872
General instruction	6,041,499	7,459,189	6,459,206	999,983
Instructional support	4,931,506	6,687,399	6,346,043	341,356
Other services	4,829,520	6,660,468	6,066,347	594,121
Total expenditures	<u>34,934,510</u>	<u>41,567,532</u>	<u>38,565,765</u>	<u>3,001,767</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	2,389,385	<u>\$ 2,389,385</u>
RECONCILIATION TO GAAP				
Add: Encumbrances at end of year included in actual			61,425	
Less: Expenditure of prior year's encumbrances			<u>(271,719)</u>	
EXCESS OF REVENUES OVER EXPENDITURES – GAAP BASIS			<u>2,179,091</u>	
OTHER FINANCING SOURCES (USES)				
Insurance reserve			7,245	
Reserve for retirement			(95,862)	
Employee benefit accrued liability			413,595	
Refund of surplus			<u>(2,389,386)</u>	
Total other financing sources (uses)			<u>(2,064,408)</u>	
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			114,683	
FUND BALANCE – BEGINNING OF YEAR			<u>4,841,768</u>	
FUND BALANCE – END OF YEAR			<u>\$ 4,956,451</u>	

See paragraph on supplemental schedules included in auditors' report.

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

SUPPLEMENTARY INFORMATION

ANALYSIS OF ACCOUNT A431 – SCHOOL DISTRICTS

FOR THE YEARS ENDING JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
(Credit) Balance – Beginning of Year	\$ (2,192,831)	\$ (1,651,367)
<u>Debits:</u>		
Encumbrances	61,425	271,719
Billings to School Districts and Other BOCES	39,522,904	37,780,114
Refund of Balances Due School Districts	<u>2,227,152</u>	<u>2,434,149</u>
Total Debits	<u>41,811,481</u>	<u>40,485,982</u>
<u>Credits:</u>		
Encumbrances	271,719	128,443
Collections from School Districts	39,526,616	38,528,575
BOCES Aid Due School Districts	6,643,565	6,254,235
Revenues in Excess of Expenditures	<u>2,179,091</u>	<u>2,370,428</u>
Total Credits	<u>48,620,991</u>	<u>47,281,681</u>
(CREDIT) BALANCE – END OF YEAR	\$ (9,002,341)	\$ (8,447,066)

See paragraph on supplemental schedules included in auditors' report.

ONEIDA HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2007

	Revenues			Over (Under) Revised Budget	Expenditures and Encumbrances			Unencumbered (Overexpended) Revised Budget	
	Original Budget	Revised Budget	Current Year's Revenues		Original Budget	Revised Budget	Current Year's Expenditures		Encumbrances
Administration 001-002	\$ 2,763,747	\$ 2,763,747	\$ 2,889,716	\$ 125,969	\$ 2,763,747	\$ 2,763,747	\$ 2,763,206	\$ 0	\$ 541
Occupational Instruction 100-199	4,541,148	4,651,373	4,634,081	(17,292)	4,541,148	4,651,373	4,524,711	1,235	125,427
Instruction for Handicapped 200-299	9,909,468	11,102,174	11,107,367	5,193	9,909,468	11,102,174	10,250,016	3,819	848,339
Itinerant 300-399	1,917,622	2,243,182	2,211,769	(31,413)	1,917,622	2,243,182	2,185,310	0	57,872
General Instruction 400-499	6,041,499	7,459,189	7,001,757	(457,432)	6,041,499	7,459,189	6,490,315	15,359	953,515
Instructional Support 500-599	4,931,506	6,687,399	6,439,205	(248,194)	4,931,506	6,687,399	6,507,005	27,742	152,652
Other Services 600-699	4,829,520	6,660,468	6,671,255	10,787	4,829,520	6,660,468	6,055,496	13,270	591,702
TOTALS	\$ 34,934,510	\$ 41,567,532	\$ 40,955,150	\$ (612,382)	\$ 34,934,510	\$ 41,567,532	\$ 38,776,059	\$ 61,425	\$ 2,730,048

See paragraph on supplemental schedules included in auditors' report.

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

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

(OMB CIRCULAR A-133)

JUNE 30, 2007



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

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

We have audited the financial statements of the governmental activities of the Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 13, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BOCES' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BOCES' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BOCES' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects BOCES' ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of BOCES' financial statements that is more than inconsequential will not be prevented or detected by BOCES' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by BOCES' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of BOCES, in a separate letter dated September 13, 2007.

This report is intended solely for the information and use of management, the audit committee and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

WEST & COMPANY CPAs PC

September 13, 2007



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services (BOCES) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs, for the year ended June 30, 2007. BOCES' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of BOCES' management. Our responsibility is to express an opinion on BOCES' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BOCES' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on BOCES' compliance with those requirements.

In our opinion, BOCES complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

The management of BOCES is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered BOCES' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Education, management and others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

WEST & COMPANY CPAs PC

September 13, 2007

ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Current Year Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
(Passed through the State Education Department of the State of New York – Pass-through Grantor's No. 419000000000)		
Food Distribution	10.550	\$ 254,599
National School Breakfast Program	10.553	239,080
National School Lunch Program	10.555	<u>1,206,185</u>
Total U.S. Department of Agriculture		<u>1,699,864</u>
<u>U.S. Department of Education</u>		
(Passed through the State Education Department of the State of New York – Pass-through Grantor's No. 419000000000)		
Special Education – Grants to States	84.027A	176,536
Vocational Education – Basic Grants to States	84.048A	145,257
VATEA – Tech. Prep.	84.243A	151,810
Chinese Grant	84.293B	200,128
Title III	84.365A	<u>927</u>
Total U.S. Department of Education		<u>674,658</u>
<u>U.S. Department of Health and Services</u>		
Direct award:		
IMLS Grant	45.310	<u>77,725</u>
TOTAL FEDERAL AWARDS		<u>\$ 2,452,247</u>

See notes to schedule of expenditures of federal awards.

ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the BOCES' federal awards programs presented on the accrual basis of accounting, as contemplated by U.S. generally accepted accounting principles.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2007, the BOCES had food commodities totaling \$58,232 in inventory.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2007

There were no audit findings disclosed during the prior audit.

**ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Oneida, Herkimer and Madison Counties BOCES.
2. No reportable conditions were disclosed during the audit of the financial statements of Oneida, Herkimer and Madison Counties BOCES.
3. No instances of noncompliance material to the financial statements of Oneida, Herkimer and Madison Counties BOCES were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Oneida, Herkimer and Madison Counties BOCES expresses an unqualified opinion.
6. There are no audit findings relative to major federal award programs for Oneida, Herkimer and Madison Counties BOCES reported in Part C of this Schedule.
7. The programs tested as major programs included:

<u>Program Name</u>	<u>CFDA No.</u>
Food Distribution	10.550
National School Breakfast Program	10.553
National School Lunch Program	10.555

8. The threshold for distinguishing type A and B programs was \$300,000.
9. Oneida, Herkimer and Madison Counties BOCES was determined to be a low-risk auditee.

B. Findings – General Purpose Financial Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None

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

AUDITED FINANCIAL STATEMENTS

EXTRACLASSROOM ACTIVITY FUNDS

JUNE 30, 2007



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of revenues collected and expenses paid and fund balances of the Extraclassroom Activity Funds of the Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services (BOCES) for the year ended June 30, 2007. This statement is the responsibility of the BOCES' management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note #1, the Extraclassroom Activity Fund prepares its financial statement on the basis of cash receipts and disbursements. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Extraclassroom Activity Funds of the Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services (BOCES), as of June 30, 2007, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note #1.

WEST & COMPANY CPAs PC

September 13, 2007

ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

EXTRACLASROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2007

ASSETS	
Cash	\$ 4,306
TOTAL ASSETS	\$ 4,306
LIABILITIES AND CLUB BALANCES	
Sales tax payable	\$ 557
Club balances	3,749
TOTAL LIABILITIES AND CLUB BALANCES	\$ 4,306

See independent auditors' report.

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

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balances July 1, 2006</u>	<u>Total Receipts</u>	<u>Total Disbursements</u>	<u>Balances June 30, 2007</u>
<u>ACTIVITIES</u>				
Future Farmers of America	\$ 549	\$ 5,383	\$ 5,057	\$ 875
VICA	3,300	26,205	26,753	2,752
Interest	0	122	0	122
Sales Taxes	1,038	1,877	2,358	557
Total Activities	<u>\$ 4,887</u>	<u>\$ 33,587</u>	<u>\$ 34,168</u>	<u>\$ 4,306</u>

See accompanying notes.

47.

ONEIDA, HERKIMER AND MADISON COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

EXTRACLASROOM ACTIVITY FUNDS

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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



MANAGEMENT LETTER

September 13, 2007

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

Dear Board Members:

In planning and performing our audit of the basic financial statements of the Oneida, Herkimer and Madison Counties Board of Cooperative Educational Services (BOCES) for the year ended June 30, 2007, we considered the BOCES' internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal control. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect BOCES' ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable. In addition, because of inherent limitations in internal control, misstatements due to error or fraud may occur and not be detected by such controls.

A material weakness is a condition in which the design or operation of one or more of these specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operations to be material weaknesses as defined above.

However, during our audit we became aware of the following matters and we would like to make the following comments and recommendations:

Prior Year Conditions

1. Capital Fund

Prior Condition: The Capital Fund had cash balances totaling \$1,572,967 as of June 30, 2006; however, there were no approved projects supporting the use of these funds.

Status: This condition was corrected.

2. Purchasing Procedures

Prior Condition: There were purchases from several vendors exceeding \$10,000 during the year ended June 30, 2005, for which there was no evidence of competitive bidding as required by New York State regulations.

Status: This condition was unchanged as of June 30, 2007.

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Recommendation: Purchasing policies and procedures should be reviewed and modified to insure that the BOCES is in compliance with New York State regulations.

3. **Treasurer's Office – Segregation of Duties and Cross-Training**

Prior Condition: Presently, there are numerous duties that the treasurer performs on a daily basis which weaken internal control as follows:

- a) Treasurer should not sign checks and post books of original entry.
- b) Treasurer should not be WINCAP administrator and the full-charge accountant for BOCES' books and records.
- c) Personnel, other than treasurer, should receive and review all bank statements and electronic reconciliations prior to having these documents given to the treasurer.
- d) There is no one cross-trained to perform the treasurer's duties in her absence. This weakens internal controls and threatens the continuation of a timely treasurer function, if the treasurer was to be out for an extended period of time.

Status: BOCES is currently working with internal auditors to improve segregation of duties and have staff cross-trained.

Recommendation: Although our inquiries during our recent audit revealed that management is addressing and reviewing this matter, we recommend that management and the Board continue to work with internal auditor to address these conditions.

4. **School Lunch Fund – Fund Balance**

Prior Condition: Due to the recent growth of the school lunch program, BOCES' management decided to set up separate books and records for this program and remove this program's activity from the General Fund. This separation of activity has brought to management's and our attention that, since BOCES is running this program for the benefit of participating component districts, the yearly excesses or deficits of revenues generated are not BOCES' fund balance, but really owed to or from the participating component districts.

Status: Fund balance has been decreased by capital expenditures in the school lunch program and the remaining fund balance is in accordance with directives from the component districts.

5. **Authorizations – Middle Management Decisions**

Prior Condition: Our audit procedures revealed that middle management personnel have been making decisions regarding repayment of certain refunds or rebates to component districts without authorization of the BOCES Board or the component districts. The situation we reviewed repaid a portion of a rebate and the remaining rebate was retained as a reserve to stabilize future component districts' costs.

Status: This condition has been corrected.

Current Year Conditions

1. **General Fund**

Condition: During our audit of cash, it was noted that a few outstanding checks appear to be stale dated.

Recommendation: We recommend the Board review the BOCES' policy regarding disposition of old uncashed disbursement checks and that the Business Office act accordingly.

2. **General Fixed Assets**

Condition: Expenditures in connection with a new capital project were added to the building category and depreciated in the current year rather than accounted for as construction in progress which is not depreciable until the project is completed.

Recommendation: We recommend that you establish a construction in progress category within the general fixed asset ledger accounts and exclude these expenditures from depreciation calculations until the project is completed.

Condition: The BOCES currently has a \$1,000 threshold for capitalizing general fixed asset additions.

Recommendation: We recommend that the Board revise this policy to increase this threshold to \$5,000, which is currently the capitalization threshold for federal grants.

3. **School Lunch Fund**

Condition: The School Lunch Fund experienced an operating deficit for the year ended June 30, 2007, which was in excess of the amounts utilized for capital expenditures.

Recommendation: We suggest that the Board review policies regarding the operation of the School Lunch Fund in order to achieve a break even operation.

* * * * *

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

Very truly yours,

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WEST & COMPANY CPAs PC

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

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SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND AGREEMENT

The following is a brief summary of certain provisions of the Agreement. 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. 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 2008 Bonds are first issued and delivered by the Authority, and will terminate on the earlier of August 15, 2028 or the date on which no Series 2008 Bonds are Outstanding or upon the earlier expiration of the term pursuant to the term of the Agreement or pursuant to law (the "Lease Term"). Notwithstanding the termination of the term of the Agreement, the obligations of the BOCES under the Agreement will not terminate and the BOCES will remain liable for such obligations and damages set forth in the Agreement unless and until no Series 2008 Bonds are outstanding and the BOCES has satisfied its obligations under the Agreement, provided further 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)

Construction of Project

The BOCES agrees that, whether or not there are sufficient moneys available to it under the provisions of the Master Resolution, the Series 2008 Resolution and Agreement, the BOCES will complete the acquisition, design, construction, reconstruction, rehabilitation, renovation and improving or otherwise providing and furnishing and equipping of the Project in connection with which the Authority has issued Series 2008 Bonds, substantially in accordance with the Plans and Specifications related thereto as such Plans and Specifications may be amended by the BOCES with the approval of the State Education Department and filed with the Authority. Subject to the conditions of the Agreement, the Authority will, to the extent of moneys available in the Construction Fund, cause the BOCES to be reimbursed for, or pay, any costs and expenses incurred by the BOCES which constitute Costs of the Project, provided such costs and expenses are approved by the Authority, which approval will not be unreasonably withheld. In order to provide moneys for payment of the Cost of the Project, upon the written request of the BOCES, the Authority may issue additional Bonds.

(Section 3.01)

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 1 is not a Business Day then the next succeeding Business Day, the interest on Outstanding Series 2008 Bonds payable on the next succeeding February 15 and August 15 and the principal and Sinking Fund Installments of Outstanding Series 2008 Bonds payable by reason of maturity and redemption on the next succeeding August 15;

(ii) Subject to subdivision (e) of this subsection, on each September 1, or if such September 1 is not a Business Day then the next succeeding Business Day, the amount, if any, as 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 Bonds on such interest payment date.

For purposes of subsections (a)(i) and (ii) herein, in estimating the interest to accrue on a Variable Interest Rate Bond after the end of the then current rate period, the Authority will assume that interest will accrue on such Variable Interest Rate Bond from and after the last day of such rate period at a constant rate per annum equal to the rate at which it then bears interest, plus one percent (1%) per annum.

The BOCES will have the option to make from time to time prepayments in part of payments due as Basic Rent, together with interest accrued and to accrue and premium, if any, to be paid on the Series 2008 Bonds, if such prepayment is to be used for the purchase or redemption of such Series 2008 Bonds. To the extent that the BOCES prepays all of the Basic Rent payable with respect to a Project (as determined by the Authority and the BOCES), such 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 (a)(i) 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 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 2008 Bonds, to the extent not paid from the proceeds of the Series 2008 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 2008 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 2008 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's failure to pay, when due, the Basic Rent payable pursuant to this subsection.

(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 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 2008 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 2008 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 2008 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 Bonds on August 15.

If on January 1 of each year the amount of moneys on deposit in the Debt Service Reserve Fund is less than the 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 Debt Service Reserve Fund and satisfy the Debt Service

Reserve Fund Requirement. If on July 1 of each year the amount of moneys on deposit in the Debt Service Reserve Fund is less than the 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 Debt Service Reserve Fund and satisfy the 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, hereby releases 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. Both during the Lease Term and thereafter, the BOCES, to the extent permitted by law, 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 to the Agreement, 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 2008 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.

(Section 4.03)

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 they are 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 which are 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 to the Agreement; 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, alterations, modifications, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Project (collectively, the "Alterations"), as the BOCES will deem necessary or desirable in connection with any permitted use thereof; provided, however, that no Alteration 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, a 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 and reasonably maintained by educational institutions providing services similar to those provided by the BOCES. All policies of insurance required by this section 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 by this section 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 hereof under the heading "Events of Default" hereto 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 2008 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 2008 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 a 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 hereby 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 provided in the Agreement.

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 such Project and give written notice of such determination to the Authority. If the BOCES elects to repair, reconstruct, restore or improve such Project, so long as the BOCES is not in default under the Agreement, as summarized in subsection (a) 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 such 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 2008 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 a 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 a 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 a Project except as provided herein under the heading "Sale; Subletting" herein. 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 any Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such 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 statutory and/or case 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 such 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 purposed proscribed hereby. The BOCES hereby 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 such Project to the restriction that (i) so long as such portion of such Project (and, if included in such Project, the real property on or in which such portion of such Project is situated) will exist and (ii) until such portion of such 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 such 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 statutory and/or case law would permit such portion of such Project, or, if included in such 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 section 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)

Tax Exempt Status of the Bonds

The BOCES, so long as it leases a 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 2008 Bonds from gross income for purposes of federal income taxation; (ii) will not invest or otherwise use "gross proceeds" of the Series 2008 Bonds in a manner which would cause any Series 2008 Bond (other than a Series 2008 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 2008 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 2008 Bonds (other than Series 2008 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 2008 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 2008 Bonds specified under such heading of the Master Resolution, (ii) if the consent of the Trustee is required by such section, the Trustee will have consented thereto and (iii) an executed copy of such amendment, change or modification, certified by an Authorized Officer of the Authority, will have been filed with the Trustee.

(Section 9.04)

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

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION

The following is a brief summary of certain provisions of the Master Resolution, as amended by the First Supplemental Resolution. Such summary does not purport to be complete and reference is made to the Master Resolution, as so amended, for full and complete statements of such and all provisions. Defined terms used in the Master Resolution, as so amended, will have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Master 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 2008 Bonds

The Series 2008 Bonds will be issued pursuant to the Master Resolution, the Series 2008 Resolution and the Act. In addition to the Series 2008 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 each Series 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 such Series of 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 entitled to a charge, lien or right prior or equal to the charge or lien created by the Master Resolution and Applicable Series Resolution, or prior or equal to the rights of the Authority and Holders of Bonds.

(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 the 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 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.

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 Applicable Series of Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues, and, all funds established by the Master Resolution and the 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 an Applicable Series Resolution, all

in accordance with the provisions of the Master Resolution and the Applicable Series Resolution. The pledge of the Revenues 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 Applicable Series of Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues and the funds and accounts established by the Master Resolution and by the Applicable 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 of each Applicable Series will be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Applicable Revenues, the Authority's security interest in the Applicable Pledged Revenues and the funds and accounts established by the Master Resolution, which are pledged by the Master Resolution as provided in the Master and the Applicable Series Resolution, which 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 Bond Proceeds

Upon the receipt of proceeds from the sale of a Series of Bonds, the Authority will apply such proceeds as specified in the Master Resolution and in the Series Resolution authorizing such Series or in the Bond Series Certificate relating to such Series.

Accrued interest, if any, received upon the delivery of a Series of Bonds will be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or the Bond Series Certificate relating to such Series.

(Section 5.03)

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. 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 the BOCES which certificate will be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the 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 this subdivision, 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 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 under the heading "Debt Service Fund".

(Section 5.04)

Allocation of Revenues

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 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 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 Applicable 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 Applicable Debt Service Reserve Fund are required to be withdrawn by the Trustee and deposited to the credit of the Applicable 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 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 will 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 letter of credit will 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 will 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 will 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 any Outstanding Bonds of the Applicable Series are rated, without regard to qualification of such rating by symbols such as "+" or "-", in less than the second highest rating category of 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 A by a Rating Agency, the Authority will 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 ten equal semiannual installments commencing on the earlier of the February 15 or August 15 next succeeding the reduction in said ratings.

Each such surety bond, insurance policy or letter of credit will 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 will 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 such Facility Provider, 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 will 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 February 15th's and August 15th'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 Applicable 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 for application in accordance with the direction of an Authorized Officer of the Authority. 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 Applicable 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 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 effect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes.

Notwithstanding the provisions above, if, upon an Applicable 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 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 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 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)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Applicable Series Resolution or the Master Resolution, if at any time the amounts held in the Applicable Debt Service Fund and the Applicable Debt Service Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Applicable and the interest accrued and unpaid and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, or to make provision pursuant to the section of the Master Resolution described below under the heading "Defeasance" for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Authority may (i) direct the Trustee to redeem all such Outstanding Bonds, whereupon the Trustee will proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Master Resolution and by each Applicable Series Resolution as provided in the Master Resolution, or (ii) give the Trustee irrevocable instructions and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance with the Master Resolution.

(Section 5.10)

Transfer of Investments

Whenever moneys in any fund or account established under the Applicable Series Resolution or the Master Resolution are to be paid in accordance with the Master Resolution to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made; provided, however, that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such fund.

(Section 5.11)

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, the 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 under the headings "Debt Service Fund" and "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 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 maybe, 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)

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

(Section 7.01)

Accounts and Audits

The Authority shall 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, the 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

The Authority shall 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 the 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)

Offices for Payment and Registration of Bonds

The Authority covenants to at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Master Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority will at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed by the Master Resolution as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds.

(Section 7.09)

Amendment, Change, Modification or Waiver of Agreement

An Applicable Agreement may not 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 the 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 may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds of the Applicable Series or the Applicable Trustee. Specifically, and without limiting the generality of the foregoing, an Agreement 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, which may be defective or inconsistent with any other provisions contained in the Master Resolution or in such Agreement.

An Applicable Series will be deemed to be adversely affected by an amendment, change, modification or alteration of the Agreement 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 effected 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)

Basic Rent

The Applicable Agreement will provide for the payment of Basic Rent which will be sufficient at all times (i) to pay the principal and Sinking Fund installments of and interest on Outstanding Bonds of the Applicable Series as the same become due and payable and (ii) to make the payments to the Applicable Debt Service Reserve Fund required by the Master Resolution.

(Section 7.12)

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 with the Master Resolution 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)

Supplemental Resolutions Effective with Consent of Bondholders

The provisions of the Master Resolution and any Applicable Series Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Applicable Bondholders in accordance with and subject to the provisions of the Master Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority.

(Section 9.03)

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 Applicable 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 "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 particular 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)

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 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 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 Bonds then Outstanding, such consent to be given as provided in the section of the Master Resolution described above under the heading "Consent of Bondholders," except that no notice to the Bondholders either by mailing or 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 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 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 the 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 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 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 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.

With respect to the Insured Bonds, so long as the Facility Provider of a Credit Facility (i.e., Financial Security Assurance Inc.) is not in default under the Credit Facility, the Trustee will exercise remedies at the direction of such Facility Provider and will not exercise remedies at the direction of the Holders of the Insured Bonds without the consent of the Facility Provider of the Credit Facility (i.e. Financial Security Assurance Inc.).

(Section 11.04; Series 2008 Bond Series Certificate)

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 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 Applicable Facility Provider which has given written notice to the Trustee and the Authority that amounts advanced under a Credit 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 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)

Certain Provisions Relating to Capital Appreciation Bonds and Deferred Income Bonds

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity or (ii) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Authority, the BOCES or the Trustee any notice, consent, request, or demand pursuant to the Master Resolution for any purpose whatsoever, the then current Accreted Value of such Bond will be deemed to be its principal amount. Notwithstanding any other provision of the Master Resolution, the amount payable at any time with respect to the principal of and interest on any Capital Appreciation Bond will not exceed the Accreted Value thereof at such time. For purposes of receiving payment of the Redemption Price or principal of a Capital Appreciation Bond called for redemption prior to maturity, the difference between the Accreted Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds of the Series of which it is a part were first issued will be deemed not to be accrued and unpaid interest thereon.

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed, or (ii) computing the principal amount of Bonds held by the Holder of a Deferred Income Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Master Resolution for any purpose whatsoever, the then current Appreciated Value of such Bond will be deemed to be its principal amount. Notwithstanding any other provision of the Master Resolution, the amount payable at any time prior to the Interest Commencement Date with respect to the principal of and interest on any Deferred Income Bond will not exceed the Appreciated Value thereof at such time. For purposes of receiving payment prior to the Interest Commencement Date of the Redemption Price or principal of a Deferred Income Bond called for redemption prior to maturity, the difference between the Appreciated Value of such Bond when the Redemption Price or principal thereof is due upon such redemption or declaration and the principal of such Bond on the date the Bonds were first issued will be deemed not to be accrued and unpaid interest thereon.

(Section 14.07)

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**FORM OF APPROVING OPINION
OF BOND COUNSEL**

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

Ladies and Gentlemen:

We have examined the record of proceedings relating to the \$38,550,000 aggregate principal amount of the Master BOCES Program Lease Revenue Bonds (Oneida Herkimer Madison Issue), Series 2008 (the "Series 2008 Bonds") issued by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. Terms used but not otherwise defined herein shall have the respective meanings set forth in the Resolution (as defined herein).

The Series 2008 Bonds are issued under and pursuant to the Act, the Authority's Master BOCES Program Lease Revenue Bond Resolution, adopted August 15, 2001, as amended (the "Resolution") and the Authority's Series Resolution Authorizing Up To \$40,000,000 Master BOCES Program Lease Revenue Bonds (Oneida Herkimer Madison Issue), Series 2008, adopted July 23, 2008 (the "Series 2008 Resolution" and, collectively with the Resolution, the "Resolutions"). The Series 2008 Bonds are being issued for the purposes set forth in the Resolutions.

The Series 2008 Bonds are to mature on the dates and in the years and amounts and interest on the Series 2008 Bonds is payable at the rates set forth in the Bond Series Certificate executed on behalf of the Authority and delivered pursuant to the Resolutions.

The Series 2008 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Series 2008 Bonds are payable, subject to redemption prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Resolutions.

The Authority has entered into a Lease and Agreement with the Board of Cooperative Educational Services for the Sole Supervisory District of Oneida, Herkimer and Madison Counties (the "OHM BOCES"), dated as of July 23, 2008 (the "Agreement"), providing, among other things, for a loan or loans to OHM BOCES for the purposes permitted thereby and by the Resolutions. Pursuant to the Agreement, OHM BOCES is required to make payments sufficient to pay principal, sinking fund installments and redemption price, if applicable, of and interest on the Series 2008 Bonds as the same become due, which payments have been pledged by the Authority to The Bank of New York Mellon, as trustee (the "Trustee") for the benefit of the holders of the Series 2008 Bonds.

Based upon the foregoing, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2008 Bonds thereunder.

2. The Resolution has been duly and lawfully adopted by the Authority. The Series 2008 Resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions are in full force and effect, and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms. The Resolutions create the valid pledge and the valid lien upon the Revenues which they purport to create, subject only to the provisions of the Resolutions permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolutions.

3. The Series 2008 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2008 Bonds are legal, valid

and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms pursuant to the Resolutions and are entitled to the equal benefits of the Resolutions and the Act.

4. The Authority has the right and lawful authority and power to enter into the Agreement. The Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery of the Agreement by OHM BOCES constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5. Under existing laws, regulations, administrative interpretations and court decisions:

(a) interest on the Series 2008 Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1987, as amended (the "Code");

(b) interest on the Series 2008 Bonds will not be treated as a specific item of tax preference for purposes of the alternative minimum tax provisions of the Code; provided, however, that the interest with respect to any such Bond owned by certain corporations will be included in such corporation's "adjusted current earnings", a portion of which will be taken into account in determining the alternative minimum tax liability, if any, of such corporation; and

(c) interest on the Series 2008 Bonds is exempt from State of New York, The City of New York and the City of Yonkers personal income taxes.

We are further of the opinion that the Series 2008 Bonds 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 Series 2008 Bonds may realize taxable gain upon disposition of such Bonds even though sold or redeemed for an amount less than or equal to such owner's original cost of acquiring such Bonds. The amortization requirements may also result in the reduction of the amount of stated interest which an owner of Series 2008 Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Owners of Series 2008 Bonds are advised to consult with their own tax advisors with respect to the tax consequences of owning such Bonds.

In rendering the opinions set forth in paragraph 5, we have assumed the accuracy of certain factual certifications of, and continuing compliance with, the provisions and procedures set forth in the Resolutions and the Agreement by the Authority and OHM BOCES. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or OHM BOCES, or of the failure by the Authority or OHM BOCES to comply with the provisions and procedures set forth in the Resolutions and the Agreement, the interest could become includable in gross income for federal income tax purposes retroactive to the date of original execution and delivery of the Series 2008 Bonds, regardless of the date on which the event causing such inclusion occurs. Further, although the interest is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2008 Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of a Series 2008 Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

Except as stated in paragraph 5 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Series 2008 Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Series 2008 Bonds, or under state and local tax law.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion as to the effect of any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2008 Bonds, the Resolutions and the Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined a fully executed Series 2008 Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,



**FINANCIAL
SECURITY
ASSURANCE®**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent" for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL
SECURITY
ASSURANCE®**

**MUNICIPAL BOND DEBT SERVICE
RESERVE INSURANCE POLICY**

ISSUER:

Policy No.:

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Security will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy. Upon such payment, Financial Security shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the [Bond Document or] [Insurance Agreement]. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond and all insurance policies in respect of the Bond, to the extent of any payment by Financial Security hereunder.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Financial Security by or on behalf of the Issuer. Within three Business Days of such reimbursement, Financial Security shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Financial Security incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that Financial Security has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the

date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Insurance Agreement" means the Insurance Agreement dated as of the effective date hereof in respect of this Policy, as the same may be amended or supplemented from time to time. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed \$. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document. "Termination Date" means the earlier of and the date the are no longer outstanding under the Bond Document.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 501B NY (8/96)



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