

OFFICIAL STATEMENT

NEW ISSUE

REVENUE ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the BOCES, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In addition, in the opinion of Bond Counsel to the BOCES, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "TAX MATTERS" herein.

The Notes will not be designated by the BOCES as "qualified tax-exempt obligations" pursuant to the provision of Section 265 of the Code.

\$9,500,000

BOARD OF COOPERATIVE EDUCATIONAL SERVICES

for

THE SOLE SUPERVISORY DISTRICT of

ALBANY, SCHOHARIE, SCHENECTADY and SARATOGA COUNTIES, NEW YORK

\$9,500,000 Revenue Anticipation Notes-2010

Dated: August 12, 2010

Due: August 12, 2011

(collectively referred to herein as the "Notes")

The purchaser shall have the option of having the Notes issued in non-book-entry form or in the form of book-entry-only notes registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC").

If the Notes are issued in non-book-entry form, the Notes will be issued as one certificate, without the option of prior redemption. Principal and interest will be payable at maturity in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by such successful bidder. Paying agent fees, if any, will be paid by the successful bidder.

If the Notes are issued in book-entry-form, the Notes will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as Securities Depository for the Notes. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Notes.

The Notes will be unsecured general obligations of the BOCES, payable as to both principal and interest from any monies of the BOCES legally available therefor. The Notes are authorized to be issued in anticipation of the receipt of revenues due from the the component school districts of BOCES. The Notes do not constitute a debt or obligation of the Counties of Albany, Schoharie, Schenectady and Saratoga or any of the component school districts of the BOCES. The BOCES has no taxing power.

Hawkins Delafield & Wood LLP has not participated in the preparation of the demographic, financial or statistical data contained in this Official Statement, nor verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion with respect thereto.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Notes in book-entry form will be made in New York, New York on or about August 12, 2010.

THE DATE OF THIS OFFICIAL STATEMENT IS JULY 27, 2010.

BOCES OFFICIALS

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Vice President

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BOCES Attorney

FISCAL ADVISORS & MARKETING, INC.
BOCES Financial Advisors

HAWKINS DELAFIELD & WOOD LLP
Bond Counsel

No person has been authorized by the Board of Cooperative Educational Services for The Sole Supervisory District of Albany, Schoharie, Schenectady and Saratoga Counties, New York to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board of Cooperative Educational Services for The Sole Supervisory District of Albany, Schoharie, Schenectady and Saratoga Counties, New York

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OFFICIAL STATEMENT

of the

BOARD OF COOPERATIVE EDUCATIONAL SERVICES

for

THE SOLE SUPERVISORY DISTRICT

ALBANY, SCHOHARIE, SCHENECTADY and SARATOGA COUNTIES, NEW YORK

Relating To

\$9,500,000 Revenue Anticipation Notes-2010

This Official Statement, which includes the cover page, has been prepared by the Board of Cooperative Educational Services for The Sole Supervisory District of Albany, Schoharie, Schenectady and Saratoga Counties, New York (the "BOCES", "Counties", and "State", respectively) in connection with the sale by the BOCES of \$9,500,000 principal amount of Revenue Anticipation Notes-2010 (referred to herein as the "Notes").

The factors affecting the financial condition of the BOCES and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the expenditures of the BOCES, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the BOCES contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the BOCES relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

DESCRIPTION OF THE NOTES

The Notes are unsecured general obligations of the BOCES, payable as to both principal and interest from any monies of the BOCES legally available therefor. The Notes are issued in anticipation of the receipt of monies from contractual payments of the Component School Districts (as hereinafter defined).

The Notes will be dated and will mature as stated on the cover page. The Notes will not be subject to redemption prior to maturity. The Notes will be issued in either (i) bearer form, in denominations of \$5,000 or integral multiples thereof, as may be determined by the successful bidder(s) with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) at the option of the purchaser(s), as registered Notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "Book-Entry-Only System" herein.

Book-Entry-Only System

If chosen by the purchaser, the Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered 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 Note certificate will be issued for each Note bearing the same rate of interest and CUSIP number, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.dtcc.org.

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

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To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Notes 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 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 or the BOCES, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the BOCES, 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.

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

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

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

Source: The Depository Trust Company.

THE BOCES AND FISCAL AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE BOCES AND FISCAL AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE BOCES MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Authority For and Purpose of Issue

The Notes are issued pursuant to the Constitution and laws of the State, including Section 25.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a revenue anticipation note resolution adopted by the BOCES Board to finance cash flow requirements necessitated by the timing of receipts and expenditures. The Notes are authorized to be issued in anticipation of the receipt of revenues due from its component school districts for services or for administrative and clerical expenses during the fiscal year, which commenced July 1, 2010.

Whenever the amount of the Notes and any additional revenue anticipation notes issued by the BOCES in anticipation of component district revenues of the 2010-2011 fiscal year equals the amount of such revenues remaining uncollected, the BOCES is required to set aside in a special bank account all of such uncollected revenues as thereafter collected, and to use the amounts so set aside only for the purpose of paying such notes.

For a description of prior issues of revenue anticipation notes of the BOCES, see "Revenue Anticipation Notes" herein.

Nature of Obligation

Each Note when duly issued and paid for will constitute a contract between the BOCES and the holder thereof.

The Notes will be unsecured general obligations of the BOCES and will be payable as to both principal and interest from any monies of the BOCES legally available therefor. The Notes do not constitute a debt or obligation of the Counties of Albany, Schoharie, Schenectady and Saratoga or any of the component school districts of the BOCES. The BOCES has no taxing power.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Purpose of a BOCES

A BOCES is formed pursuant to the Education Law by two or more school districts and a supervisory district for the purpose of providing various educational services on a cooperative or shared basis which services would either be economically unfeasible or duplicative for each school district to provide for itself.

General Information

Boards of Cooperative Educational Services were created by the State Legislature in 1948 to operate as an extension of the public school system. The BOCES is a cooperative and voluntary association serving over 81,000 from 23 school districts (see "Component School District" herein), encompassing a land area of over 2,200 square miles in the capital region of New York with administration offices located in the City of Albany. Member school districts participate in specific programs and services on a cost-sharing basis. The BOCES serves students in pre-school through grade 12. In addition, they are eligible for state aid for all services they contract. The services which BOCES offers cover a wide spectrum of public education:

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

One of the unique aspects of the BOCES operation is the high degree of client (i.e. Component School District) representation in planning and decision-making. This involvement assures that new services are developed to meet the specific needs of the component schools while maintaining a price structure consistent with client wishes.

Component School Districts

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

Berne-Knox-Westerlo	Menands	Schoharie
Bethlehem	Middleburgh	Scotia - Glenville
Burnt Hills – Ballston Lake	Mohonasen	Sharon Springs
Cobleskill / Richmondville	Niskayuna	Shenendehowa
Cohoes City	North Colonie	South Colonie
Duanesburg	Ravena – Coeymans – Selkirk	Voorheesville
Green Island	Schalmont	Watervliet City
Guilderland	Schenectady City	

Form of BOCES Administration

The BOCES is governed by a board (the "Board") of ten members with overlapping three-year terms so that as nearly as possible an equal number are elected to the Board each year. The members are elected by a majority vote of members of Boards of Education of the Component School Districts. The President and Vice-President are selected by the Board members.

Budgetary Procedures

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

Such budget, when so adopted, after deducting applicable State aid grants and other revenues is charged against all of the Component School Districts in accordance with the Education Law. The school authorities of each Component School District are required to add such amount to the budget of such Component School District, levy and collect the same at the same time and in the same manner as such district collects other taxes for its own use and pay such amounts to the Treasurer of the BOCES. In the event the tentative budget of a Component School District is not approved by a majority of the voters, such charge from the BOCES may be raised by such Component School Districts as an ordinary contingent expense in a like manner as if the same had been voted by the voters.

Revenue from Component School Districts

The BOCES bills Component School Districts during the year on the basis of estimated operating costs. At the end of the year, billings are adjusted to reflect the actual cost of operations. Each Component School District is charged for the specific services used, except for administrative and facilities rental costs, which are charged to Component School Districts on the basis of each District's resident weighted average daily attendance of the second preceding year.

It should be noted that 23 Component School Districts of the Capital Region BOCES have formally contracted with the BOCES for the administrative and rental of facilities expenses. The 2010-2011 General Fund budget amounts to \$105,260,942, of which \$10,014,067 represents guaranteed revenue to cover administrative and rental of facilities expenses. The remaining \$95,246,875 represents program or service cost expenditures.

Contractual Agreement

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

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

All contracts and COSER forms for the 2010-11 fiscal year have been approved by the Component School Districts and have been submitted to the State Commissioner of Education for his approval.

The percentages of contractual liability by Component School Districts for the 2010-11 contracts are as follows:

<u>School District</u>	<u>Contract</u>	<u>Percentage of Liability</u>
Berne-Knox-Westerlo CSD	\$ 2,268,416	3.56%
Bethlehem CSD	2,156,267	3.39%
Burnt Hills – Ballston Lake CSD	2,372,617	3.73%
Cobleskill-Richmondville CSD	2,081,883	3.27%
Cohoes City SD	2,130,331	3.35%
Duanesburg CSD	1,351,436	2.12%
Green Island School	900,530	1.41%
Guilderland CSD	3,935,595	6.19%
Menands CSD	280,145	0.55%
Middleburgh CSD	1,043,995	1.64%
Rotterdam-Mohonasen CSD	2,517,985	4.92%
Niskayuna CSD	3,032,259	4.77%
North Colonie CSD	1,178,480	2.06%
Ravena-Coeymans-Selkirk CSD	3,975,306	5.73%
Schalmont CSD	2,677,674	4.21%
Schenectady City SD	15,591,020	24.53%
Schoharie CSD	1,099,154	1.72%
Scotia-Glenville CSD	3,495,289	5.49%
Sharon Springs CSD	429,509	0.67%
Shenendehowa CSD	4,266,074	6.71%
South Colonie CSD	2,486,940	3.91%
Voorheesville CSD	1,263,496	1.98%
Watervliet City SD	<u>3,018,361</u>	<u>4.74%</u>
Totals	\$ 63,552,762	100.00%

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

Investment Policy

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

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

State Aid

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

The BOCES remits the applicable State aid to each Component School District in three equal installments on or about February 1, June 30 and September 1 in the same fiscal year in which such aid is received.

There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. The State aid anticipated to be received by the BOCES in the 2010-2011 fiscal year is \$20,783,000.

Recent Events Affecting State Aid to New York School Districts

On November 12, 2008, in response to the ongoing and worsening national fiscal crisis and its affect on the State, Governor David Paterson unveiled a plan to cut approximately \$2 billion of expenses in the State Budget for the State fiscal year ending March 31, 2009. The proposed cuts would have included an \$836 million reduction in State aid to school districts in the State. Under the Governor's plan, a significant amount of State aid would have been cut from the Component School Districts anticipated State aid allotment during its 2008-2009 fiscal year.

Thereafter, on November 18, 2008, the New York State Legislature convened an emergency session to consider the Governor's plan, but concluded the session without taking any action on such plan. Subsequently, the Governor stated publicly that there would be no reductions in State aid that would occur during the 2008-2009 school fiscal year.

One month later, the Governor presented his 2009-2010 proposed budget, which included significant reductions in State aid to school districts. Nonetheless, on April 2, 2009, the State Legislature adopted the State's 2009-2010 budget, which maintained State aid funding to school districts at the 2008-2009 levels by appropriating monies allotted to the State in the American Reinvestment and Recovery Act of 2009 (the "Federal Stimulus Act").

On October 15, 2009, in response to updated budget projections, the Governor proposed reducing the current 2009-2010 State Budget by \$3.0 billion, including \$480 million in education spending. The State Legislature convened in Special Session to consider the Governor's deficit reduction plan and to develop other proposals to address the imbalance in the State's 2009-2010 Budget, which is estimated to be between \$3.2 billion and \$4.0 billion.

On December 2, 2009 after much discussion, the Legislature adopted a \$2.7 billion deficit reduction plan to partially reduce the State's budget deficit, without impacting any State aid funding to public school districts. The measures did not completely cover the full scope of the deficit and as a result the Governor has stated that he will reduce or delay aid payments to school districts and hospitals for the balance of the State's current fiscal year ending March 31, 2010. The BOCES cannot predict at this time whether there will be any delays and reductions in State aid in the current year ending June 30, 2010.

On January 19, 2010, the Governor submitted his proposed Executive Budget for the State's fiscal year ending March 31, 2011. The Executive's Budget recommends a total reduction in State aid of approximately \$2.1 billion; however, the Governor's Executive Budget includes Federal Stimulus funding of approximately \$726,000,000 to offset some of the reductions in State aid. As a result, the net State aid reduction totals approximately \$1.4 billion. The Executive Budget is subject to review and modification by the New York State Legislature. The BOCES cannot predict at this time whether the proposed reductions in State aid as put forth by the Governor will be included in the State's 2010-2011 budget, or whether the State aid reduction proposal will be modified, revised or eliminated by the New York State Legislature. The State Legislature has not adopted a budget for the State's 2010-2011 fiscal year and it is unclear when a budget will be adopted.

In addition, on March 30, 2010 the Governor announced that he would unilaterally delay the distribution of approximately \$2.1 billion in scheduled 2010-2011 State aid payments for to school districts throughout the State.

On May 14, 2010, Governor Paterson proposed another delay in State aid, but also assured school districts that all outstanding aid payments will be made prior to June 30, 2010. Under the Governor's proposal, the outstanding aid payments which had been paid in prior years by March 31st, will be paid in two installments, with one payment being made before June 15th and the second being made after June 15th. The State typically receives income tax revenues on June 15th which are expected to enable the payment of the balance of aid due to school districts. As of the date hereof, it is unknown when such aid will ultimately be paid to school districts.

Although the BOCES cannot predict at this time whether there will be any further delays and/or reductions in State aid in the current year or in future fiscal years or whether there will be additional Federal Stimulus Act monies made available to pay State aid in future years, the BOCES may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See "Market Factors Affecting Financing of the State and School Districts of the State" herein).

Employees

The BOCES employs a total of approximately 1,000 employees. Instructional employees are represented as follows:

<u>Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
287	SAANY	June 30, 2011
707	NYSUT - Teachers	June 30, 2010 ⁽²⁾
	NYSUT – Service Unit ⁽¹⁾	June 30, 2010 ⁽²⁾
	NYSUT – Teacher Assistants ⁽¹⁾	June 30, 2011

⁽¹⁾ Membership for this Union is included in the figure shown for NYSUT-Teachers.

⁽²⁾ Currently under negotiations.

Status and Financing of Employee Pension Benefits

Substantially all employees of the BOCES are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 with less than 10 years full time service must contribute 3% of gross annual salary toward the cost of retirement programs.

On December 12, 2009, the Governor signed a new Tier V into law. The law is effective for new ERS and TRS hires beginning on January 1, 2010. New ERS employees will now contribute 3 percent of their salaries and new TRS employees will contribute 3.5%. There is no provision for these contributions to cease after a certain period of service.

Pursuant to Chapter 62 of the Laws of 1989, the BOCES' liability to the ERS is accounted for according to generally accepted accounting principles (GAAP). Bills are sent November 15 each year for payment December 15. As a result of this new legislation, there was also a change in the periods of time to be covered by payments to the ERS and the BOCES was allowed to amortize contributions for the State fiscal years ended March 31, 1988 and March 31, 1989 over a 17-year period at a rate of 8.75%. The first annual installment was payable December 15, 1989. In addition to the change in billing procedures, the 1989 legislation authorized an optional pre-payment of the amount, which would otherwise have been amortized over the 17-year period. The BOCES prepaid this amount on December 1989.

Pursuant to Chapters 53 and 175 of the Laws of 1990, the payment schedule for contributions to the New York State Teachers' Retirement System was restructured. As a result, the BOCES was not required to make contributions during 1989/1990 based on salaries paid in the BOCES' fiscal year ending June 30, 1989 and was allowed to amortize these deferred contributions over a 15-year period at an interest rate of 8 percent. The BOCES had the option annually each fall to prepay all or a portion of the amount remaining to be amortized. The BOCES prepaid this amount on July 1990.

For the 2009-10 fiscal year, the BOCES contributions to ERS and TRS were \$2,235,706 and \$2,863,361 respectively. In the Annual Budget for 2010-11 fiscal year, the budgeted appropriation for payments to ERS is \$2,543,276 and to TRS is \$2,992,255.

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

On July 20, 2004, Governor Pataki signed into law Chapter 260 of the Laws of 2004 ("Chapter 260"). Chapter 260 contains three components which alter the way municipalities and school districts contribute to the State pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to the effective date of the provisions of Chapter 260, the annual retirement bill sent to municipalities and school districts from the State had reflected pension payments due between April 1 and March 31, consistent with the state fiscal year.

Chapter 260 provides for the following changes:

- Contribution Payment Date Change: The law changes the date on which local pension contributions are due to the State. Effective immediately, the annual required contribution is due Feb. 1 annually instead of Dec. 15. As a result, no payment was due in calendar year 2004.
- Pension Cost Amortization-Extension of Payout Period: The law also extends the ability of municipalities and school districts to amortize a portion of the current year pension cost over a period of 10 years, extending the term from five years as authorized under the 2003 Chapter 49 legislation. Municipalities can amortize, either directly through the State retirement system at a fixed interest rate annually determined by the State comptroller or through the capital markets, pension payments in excess of 7% of eligible payroll in 2005, 9.5% in 2006, and 10.5% in 2007.
- Pension Contributions Reserve Fund: The law creates special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

On September 3, 2009, the New York State Comptroller's announced the employer contribution rates for the ERS will increase in 2011. The impact of the global recession on the \$116.5 billion New York State Common Retirement Fund will drive the average ERS rate up to 11.9% (up from 7.4% in 2010). The average TRS rate is expected to be 18.2% (up from 15.1% in 2010). These rates on par with the rates from 2005, 2006 and 2007 when ERS rates were 12.9%, 11.3% and 10.7%, respectively, and TRS were 17.6%, 16.3% and 17.0%, respectively.

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

While the BOCES is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

Other Post Employee Benefits

It should also be noted that the BOCES provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the BOCES, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. This protection from unilateral reduction of benefits has been extended annually and continued through May 15, 2009 pursuant to Chapter 43 of the Laws of 2008. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

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

GASB 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

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

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The School District has selected Questar for actuarial services and is working towards being in compliance with GASB 45 by or before the applicable effective date.

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

As of June 30, 2010 the actuarial accrued liability (AAL), the portion of the actuarial present value of the total future benefits based on the employees' service rendered to the measurement date, is \$143,377,346. The actuarial value of the Plan's assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$143,377,346. The BOCES annual OPEB cost was \$14,174,665 and is equal to the adjusted annual required contribution (ARC). The BOCES is on a pay-as-you-go funding basis and is expected to have paid \$2,261,600 to the Plan for the fiscal year ending June 30, 2010 resulting in a year-end Net OPEB obligation of \$22,997,865.

Other Information

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

This Official Statement includes a summary of financial data of each Component School District having power to levy taxes within its respective School District.

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

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

Financial Statements

The BOCES retains Independent Certified Public Accountants. The last audited report covers the period ending June 30, 2009 and may be found attached hereto as appendices to this Official Statement. Copies of the report may be examined at the BOCES Central Office. In addition, the State Comptroller's office, Department of Audit and Control, periodically performs a compliance review to ascertain whether the BOCES has complied with the requirements of various State and Federal statutes.

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

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

Tax Collection Procedure of Component School Districts

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

REMEDIES UPON DEFAULT

Under current law, provision is made for contract creditors (including the Noteholders) of the BOCES to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy.

Remedies for enforcement of payment are not expressly included in the BOCES' contract with holders of its bonds and notes, although any permanent repeal by statute or constitutional amendment of a Noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of noteholders, such courts might hold that future events including financial crises as they may occur in the State and in municipalities of the State require the exercise by the State of its emergency and police powers to assure the continuation of essential public services.

No principal or interest payment on BOCES indebtedness is past due. The BOCES has never defaulted in the payment of the principal of and interest on any indebtedness.

DISCLOSURE UNDERTAKING

This Official Statement is in a form “deemed final” by the BOCES for the purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Notes, the BOCES will provide an executed copy of its “Undertaking to Provide Notices of Material Events” (the “Undertaking”). Said Undertaking will constitute a written agreement or contract of the BOCES for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, timely notice of the occurrence of any of the following events with respect to the Notes, if material:

- (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Notes; (vii) modifications to rights of Noteholders; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes; and (xi) rating changes.

The BOCES may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the BOCES does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The BOCES’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the BOCES and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the BOCES to comply with the Undertaking will not constitute a default with respect to the Notes.

The BOCES reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

The BOCES is in compliance in all material respects with all previous undertakings made pursuant to Rule 15c2-12.

LITIGATION

The BOCES is subject to a number of lawsuits in the ordinary conduct of its affairs. The BOCES does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the BOCES.

MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND SCHOOL DISTRICTS OF THE STATE

The financial condition of the BOCES as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the BOCES control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or at any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the BOCES to arrange for additional borrowing and the market for and market value of the outstanding debt obligations, including the Notes, could be adversely affected.

The component school districts of the BOCES are dependent in part on financial assistance from the State in the form of State Aid. In some recent years, the component school districts of the BOCES receipt of State aid was delayed as a result of the State’s delay in adopting its budget and appropriating State aid to municipalities and school districts. No delay in payment of State aid for the component school districts of the BOCES 2010-2011 fiscal year is presently anticipated although no assurance can be given that there will not be a delay in payment thereof.

Should the component school districts of the BOCES fail to receive monies expected from the State in the amounts and at the times expected, the component school districts of the BOCES are authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

TAX MATTERS

See “Miscellaneous” below for a discussion of certain litigation that may relate to this New York State tax exemption.

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes (the “Tax-Exempt Obligations”) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Tax-Exempt Obligations is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; and is not included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax. The arbitrage and use of proceeds certificate of the District (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Tax-Exempt Obligations is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel to the District expresses no opinion regarding any other Federal or state tax consequences with respect to the Tax-Exempt Obligations. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Obligations, or on the exemption of interest on the Tax-Exempt Obligations from state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Obligations in order that interest on such Obligations be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Tax-Exempt Obligations, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Tax-Exempt Obligations to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The BOCES, in executing the Tax Certificate, will certify to the effect that the BOCES will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Tax-Exempt Obligations from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Tax-Exempt Obligations. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Tax-Exempt Obligations. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Tax-Exempt Obligations.

Prospective owners of the Tax-Exempt Obligations should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Tax-Exempt Obligations may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Tax-Exempt Obligation (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of each of the Tax-Exempt Obligations of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Tax-Exempt Obligations is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Tax-Exempt Obligations having OID (a “Discount Obligation”), OID that has accrued and is properly allocable to the owners of the Discount Obligations under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Tax-Exempt Obligations.

In general, under Section 1288 of the Code, OID on a Discount Obligation accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Obligation. An owner’s adjusted basis in a Discount Obligation is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Obligation. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Obligation even though there will not be a corresponding cash payment.

Owners of Discount Obligations should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Obligations.

Tax-Exempt Obligation Premium

In general, if an owner acquires a Tax-Exempt Obligation for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Tax-Exempt Obligations after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Tax-Exempt Obligations (a “Premium Obligation”). In general, under Section 171 of the Code, an owner of a Premium Obligation must amortize the bond premium over the remaining term of the Premium Obligation, based on the owner’s yield over the remaining term of the Premium Obligation, determined based on constant yield principles (in certain cases involving a Premium Obligation callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Obligation must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Obligation, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Obligation may realize a taxable gain upon disposition of the Premium Obligation even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Obligation should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of obligation premium on, sale, exchange, or other disposition of Premium Obligations.

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Tax-Exempt Obligations. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Tax-Exempt Obligation through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Tax-Exempt Obligations from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law and could affect the market price for, or the marketability of, the Notes. There can be no assurance that any such legislation, actions or decisions, if ever enacted, taken or rendered following the issuance of the Notes, will not have an adverse effect on the tax-exempt status, market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Absence of Litigation

Upon delivery of the Notes, the BOCES shall furnish a certificate of the BOCES Attorney, dated the date of delivery of the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the BOCES wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the BOCES or adversely affect the power of the BOCES to enforce the collection of revenues for the payment of its Notes, which has not been disclosed in this Official Statement.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel. Such opinion will be available at the time of delivery of the Notes and will be to the effect that the Notes are valid and legally binding unsecured general obligations of the BOCES payable as to both principal and interest from any monies of the BOCES legally available therefor. Said opinion shall also contain further statements to the effect that (a) the enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted, and (b) said law firm has not been requested to examine or review and has not examined or reviewed the accuracy or sufficiency of the Official Statement of the BOCES relating to the Notes, or any additional proceedings, reports, correspondence, financial statements or other documents containing financial or other information relative to the BOCES which have been or may be furnished or disclosed to purchasers of the Notes, and expresses no opinion with respect to such financial or other information or the accuracy or sufficiency thereof.

Closing Certificates

Upon delivery of the Notes, the Purchasers will be furnished with the following items: (i) a Certificate of the President of the BOCES Board to the effect that as of the date of this Official Statement and at all times subsequent thereto, up to and including the time of the delivery of the Notes, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and further stating that there has been no adverse material change in the financial condition of the BOCES since the date of this Official Statement to the date of the issuance of the Notes, and having attached thereto a copy of this Official Statement; (ii) a Certificate signed by an officer of the BOCES evidencing payment for the Notes; (iii) a Signature Certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending or, to the knowledge of the signers, threatened, restraining or enjoining the issuance and delivery of the Notes or the collection of revenues to pay the principal of and interest thereon, nor in any manner questioning the proceedings and authority under which the Notes were authorized or affecting the validity of the Notes thereunder, (b) neither the corporate existence of the boundaries of the BOCES nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded; and (iv) an Arbitrage and Use of Proceeds Certificate signed by the President of the Board of Education as described under "Tax Exemption."

MISCELLANEOUS

Periodic public reports relating to the financial condition of the BOCES, its operations and the balances, receipts and disbursements of the various Funds of the BOCES are available for public inspection at the business office of the BOCES.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the BOCES and the purchasers or holders of any of the Notes.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the BOCES nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the BOCES disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the BOCES also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

If the purchaser(s) requests the Note to be issued in registered form, the BOCES will act as Paying Agent for the Notes. If the purchaser(s) requests the Note to be issued in bearer form, the purchaser(s) will act as Paying Agent for the Notes. The BOCES contact information is as follows: Ms. Arpy Ernest, Treasurer, 900 Watervliet-Shaker Road, Suite 102, Albany, New York 12205-2106, phone: (518) 862-4925, fax: (518) 862-4949, email: aernest@gw.neric.org.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FOR THE SOLE SUPERVISORY DISTRICT OF
ALBANY, SCHOHARIE, SCHENECTADY AND
SARATOGA COUNTIES, NEW YORK**

Dated: July 27, 2010

**JEFF BRADT
President
Board of the BOCES**

APPENDIX - A
Albany, Schoharie, Schenectady & Saratoga BOCES

GENERAL FUND

Balance Sheets

Fiscal Year Ending June 30:	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>ASSETS</u>			
Unrestricted Cash	\$ 10,322,561	\$ 5,118,687	\$ 8,658,507
Restricted Cash	3,484,223	5,167,483	6,773,361
Other Receivables	28,700	93,804	41,399
Due from Other School Districts	2,774,228	10,140,815	5,961,369
Due from Other Funds	3,389,356	5,023,955	4,036,635
State and Federal Aid Receivables	<u>8,875,649</u>	<u>9,805,739</u>	<u>9,458,885</u>
 TOTAL ASSETS	 <u>\$ 28,874,717</u>	 <u>\$ 35,350,483</u>	 <u>\$ 34,930,156</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Revenue Anticipation Notes Payable	\$ 8,500,000	\$ 8,500,000	\$ 8,500,000
State Aid Due to School Districts	8,875,649	9,805,739	9,458,885
Accounts Payable	2,107,928	4,856,316	2,694,231
Due to Other Funds	-	23	23
Due to Other Governments	2,504	2,534	3,144
Due to Retirement System	3,777,012	3,221,783	3,469,459
Accrued Liabilities	298,519	957,471	898,514
Deferred Revenue	<u>567,574</u>	<u>593,148</u>	<u>48,321</u>
 TOTAL LIABILITIES	 \$ 24,129,186	 \$ 27,937,014	 \$ 25,072,577
<u>FUND EQUITY</u>			
Reserved	4,745,531	7,413,469	9,857,579
Unreserved:			
Appropriated	-	-	-
Unappropriated	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL FUND EQUITY	 <u>\$ 4,745,531</u>	 <u>\$ 7,413,469</u>	 <u>\$ 9,857,579</u>
 TOTAL LIABILITIES and FUND EQUITY	 <u>\$ 28,874,717</u>	 <u>\$ 35,350,483</u>	 <u>\$ 34,930,156</u>

Source: Audited financial reports of Albany, Schoharie, Schenectady & Saratoga BOCES.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
REVENUES					
Charges to Components	\$ 53,327,700	\$ 57,113,263	\$ 61,127,994	\$ 63,514,421	\$ 66,910,952
Charges to Other BOCES and Non-Components	20,759,581	22,471,918	23,994,423	25,995,896	29,028,369
Interest and Earnings	71,450	104,985	353,244	616,101	333,218
Sale of Property and Compensation for Loss	-	-	-	-	-
Miscellaneous	2,519,615	1,304,369	1,453,781	2,303,661	2,217,747
Interfund Revenues	-	539,589	795,165	65,695	191,850
Revenues from State Sources	189,162	-	-	-	-
Federal Sources	200,320	2,835	-	-	-
E-Rate Reimbursements	1,310,171	1,185,703	2,244,277	1,512,625	-
Total Revenues	<u>\$ 78,377,999</u>	<u>\$ 82,722,662</u>	<u>\$ 89,968,884</u>	<u>\$ 94,008,399</u>	<u>\$ 98,682,136</u>
EXPENDITURES					
Administration	\$ 5,864,686	\$ 6,595,409	\$ 7,678,049	\$ 8,105,217	\$ 7,439,851
Occupational Instruction	8,994,163	8,159,986	9,424,260	10,199,519	10,611,757
Instruction for Handicapped	26,020,494	28,610,596	29,662,937	30,290,723	30,854,227
Itinerant Services	5,577,790	5,819,593	6,285,993	6,508,359	6,949,952
General Instruction	5,035,458	5,528,169	5,836,728	5,892,043	6,418,992
Instructional Support	6,021,065	6,853,126	7,136,592	7,552,644	8,115,828
Other Services	16,659,709	18,055,460	19,020,799	21,430,217	24,998,335
Debt Service	-	-	-	-	-
Total Expenditures	<u>\$ 74,173,365</u>	<u>\$ 79,622,339</u>	<u>\$ 85,045,358</u>	<u>\$ 89,978,722</u>	<u>\$ 95,388,942</u>
Excess (Deficit) Revenues Over Expenditures and Other Uses	<u>4,204,634</u>	<u>3,100,323</u>	<u>4,923,526</u>	<u>4,029,677</u>	<u>3,293,194</u>
Other Changes in Fund Equity					
Operating Transfers - In	118,675	700	115,554	1,649,607	2,176,858
Operating Transfers - Out	(4,199,022)	(3,813,283)	(4,393,133)	(4,029,675)	(3,293,194)
Net Encumbrances	14,109	(4,836)	(265,198)	(213,421)	491,080
Net Increase (Decrease)	<u>138,396</u>	<u>(717,096)</u>	<u>380,749</u>	<u>1,436,188</u>	<u>2,667,938</u>
FUND BALANCE					
Fund Balance - Beginning of Year	3,507,294	3,645,690	2,928,594	3,309,343	4,745,531
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 3,645,690</u>	<u>\$ 2,928,594</u>	<u>\$ 3,309,343</u>	<u>\$ 4,745,531</u>	<u>\$ 7,413,469</u>

Source: Audited financial reports of the Albany, Schoharie, Schenectady & Saratoga BOCES.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending June 30:	2009		2010	2011
	Adopted Budget	Actual	Adopted Budget	Adopted Budget
REVENUES				
Charges to Components	\$ 61,973,185	\$ 69,875,474	\$ 62,954,500	\$ 70,229,651
Charges to Other BOCES and Non-Components	25,340,389	32,404,797	27,814,691	30,568,995
Interest and Earnings	-	99,326	-	100,000
Sale of Property and Compensation for Loss	-	-	-	-
Miscellaneous	1,245,598	2,092,998	2,350,353	2,515,477
Interfund Revenues	1,381,262	992,041	1,751,018	1,846,819
Revenues from State Sources	-	-	-	-
Federal Sources	-	-	-	-
E-Rate Reimbursements	-	-	-	-
Total Revenues	<u>\$ 89,940,434</u>	<u>\$ 105,464,636</u>	<u>\$ 94,870,562</u>	<u>\$ 105,260,942</u>
EXPENDITURES				
Administration	\$ 9,401,087	\$ 8,692,589	\$ 9,921,906	\$ 10,014,067
Occupational Instruction	13,762,597	11,708,254	12,593,946	12,162,566
Instruction for Handicapped	29,616,415	31,758,252	29,930,503	34,157,191
Itinerant Services	4,112,427	7,508,729	4,768,027	-
General Instruction	6,816,959	6,425,388	7,045,392	7,089,173
Instructional Support	4,534,451	10,213,888	5,755,069	8,614,859
Other Services	25,558,094	26,973,506	27,965,014	33,223,086
Debt Service	-	-	-	-
Total Expenditures	<u>\$ 93,802,030</u>	<u>\$ 103,280,606</u>	<u>\$ 97,979,857</u>	<u>\$ 105,260,942</u>
Excess (Deficit) Revenues Over Expenditures and Other Uses	<u>(3,861,596)</u>	<u>2,184,030</u>	<u>(3,109,295)</u>	<u>-</u>
Other Changes in Fund Equity				
Operating Transfers In	-	2,202,341	-	-
Operating Transfers Out	-	(2,192,328)	-	-
Net Encumbrances	-	250,067	-	-
Net Increase (Decrease)	<u>(3,861,596)</u>	<u>2,444,110</u>	<u>(3,109,295)</u>	<u>-</u>
FUND BALANCE				
Fund Balance - Beginning of Year	3,861,596	7,413,469	3,109,295	-
Prior Period Adjustment	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 9,857,579</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Audited financial report and budgets of the Albany, Schoharie, Schenectady & Saratoga BOCES.

GENERAL FUND

Expenditures and Other Uses - Adopted Budget

Fiscal Years Ending June 30:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>EXPENDITURES</u>				
Administration	\$ 6,184,665	\$ 6,672,952	\$ 6,846,312	\$ 7,134,975
Occupational Instruction	10,490,343	11,713,282	13,762,597	12,162,566
Instruction for Handicapped	29,744,950	29,924,964	29,616,415	34,157,191
Itinerant Services	4,779,834	4,418,069	4,112,427	-
General Instruction	6,356,725	6,625,508	6,816,959	7,089,173
Instructional Support	6,497,372	5,770,652	4,534,451	8,614,859
Other Services	19,421,023	21,404,436	21,696,498	33,223,086
Capital	-	-	2,554,775	2,879,092
Rental of Facilities	2,035,982	2,296,024	3,861,596	-
Total Expenditures	<u>\$ 85,510,894</u>	<u>\$ 88,825,887</u>	<u>\$ 93,802,030</u>	<u>\$ 105,260,942</u>
Other Uses:				
Interfund Transfers	180,000	-	-	-
Total Expenditures and Other Uses	<u><u>\$ 85,690,894</u></u>	<u><u>\$ 88,825,887</u></u>	<u><u>\$ 93,802,030</u></u>	<u><u>\$ 105,260,942</u></u>

Source: Adopted budget of the Albany, Schoharie, Schenectady & Saratoga BOCES.

**COMPONENT SCHOOL DISTRICTS
FINANCIAL INFORMATION**

GENERAL FUND: Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30, 2009

	Berne-Knox- <u>Westerlo</u>	<u>Bethlehem</u>	Burnt Hills <u>Ballston Lake</u>	Cobleskill/ <u>Richmondville</u>	<u>Cohoes *</u>
<u>REVENUES</u>					
Real Property Taxes	\$ 8,395,178	\$ 46,718,170	\$ 26,794,074	\$ 10,985,685	\$ 9,742,238
Other Tax Items	1,503,911	8,880,452	4,817,268	3,060,780	4,337,212
Charges for Services	40,771	673,255	138,275	533,758	60,529
Use of Money & Property	109,455	505,732	302,565	70,503	591,202
Forfeitures	-	-	-	-	-
Sale of Property and Compensation for Loss	3,496	20,781	1,033,062	22,491	-
Miscellaneous	63,459	909,671	302,159	92,862	596,535
Interfund Revenues	-	-	-	-	77,786
Revenues from State Sources	9,219,245	25,312,745	20,027,376	21,010,404	18,178,918
Revenues from Federal Sources	111,228	214,023	75,150	113,324	241,805
Total Revenues	<u>\$ 19,446,743</u>	<u>\$ 83,234,829</u>	<u>\$ 53,489,929</u>	<u>\$ 35,889,807</u>	<u>\$ 33,826,225</u>
Other Sources:					
Interfund Transfers	-	500,000	-	-	491,016
Total Revenues and Other Sources	<u>\$ 19,446,743</u>	<u>\$ 83,734,829</u>	<u>\$ 53,489,929</u>	<u>\$ 35,889,807</u>	<u>\$ 34,317,241</u>
<u>EXPENDITURES</u>					
General Support	\$ 2,052,029	\$ 6,864,776	\$ 5,121,842	\$ 3,614,150	\$ 4,014,929
Instruction	10,218,207	42,394,208	27,480,992	16,640,694	18,303,408
Pupil Transportation	1,591,051	5,831,945	2,378,097	2,176,503	929,990
Community Services	-	47,788	12,929	8,000	-
Employee Benefits	4,797,976	15,765,507	9,492,261	7,292,665	6,691,900
Debt Service	668,337	11,325,954	3,904,776	699,797	2,720,194
Total Expenditures	<u>\$ 19,327,600</u>	<u>\$ 82,230,178</u>	<u>\$ 48,390,897</u>	<u>\$ 30,431,809</u>	<u>\$ 32,660,421</u>
Other Uses:					
Interfund Transfers	1,345,526	791,283	215,000	3,858,997	324,210
Total Expenditures and Other Uses	<u>\$ 20,673,126</u>	<u>\$ 83,021,461</u>	<u>\$ 48,605,897</u>	<u>\$ 34,290,806</u>	<u>\$ 32,984,631</u>
Excess (Deficit) Revenues Over Expenditures	<u>(1,226,383)</u>	<u>713,368</u>	<u>4,884,032</u>	<u>1,599,001</u>	<u>1,332,610</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	4,792,077	8,087,106	5,289,989	4,267,699	2,466,616
Prior Period Adjustments (net)	28,417	-	-	-	-
Other Adjustments	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 3,594,111</u>	<u>\$ 8,800,474</u>	<u>\$ 10,174,021</u>	<u>\$ 5,866,700</u>	<u>\$ 3,799,226</u>

* 2008 Financials. 2009 Audit not available at time of printing.

Source: Annual financial reports of the Component School Districts.

**COMPONENT SCHOOL DISTRICTS
FINANCIAL INFORMATION**

GENERAL FUND: Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30, 2009

	<u>Duanesburg</u>	<u>Green Island</u>	<u>Guilderland</u>	<u>Menands *</u>	<u>Middleburgh</u>
Real Property Taxes	\$ 5,716,963	\$ 2,265,765	\$ 51,216,134	\$ 5,535,665	\$ 6,683,521
Other Tax Items	1,020,338	987,826	5,707,570	432,289	1,429,799
Charges for Services	105,136	8,441	581,788	5	13,191
Use of Money & Property	38,488	22,679	808,039	131,711	20,155
Forfeitures	-	-	-	-	-
Sale of Property and Compensation for Loss	1,501	-	32,826	100	3,279
Miscellaneous	105,301	23,894	384,948	7,051	66,052
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	7,660,595	3,301,506	23,551,078	525,601	10,851,085
Revenues from Federal Sources	92,645	20,109	299,899	-	150,037
Total Revenues	\$ 14,740,967	\$ 6,630,220	\$ 82,582,282	\$ 6,632,422	\$ 19,217,119
Other Sources:					
Interfund Transfers	-	-	-	-	-
Total Revenues and Other Sources	\$ 14,740,967	\$ 6,630,220	\$ 82,582,282	\$ 6,632,422	\$ 19,217,119
EXPENDITURES					
General Support	\$ 1,471,838	\$ 791,342	\$ 8,030,179	\$ 702,438	\$ 1,831,452
Instruction	7,680,313	3,449,220	46,107,462	3,637,901	9,081,446
Pupil Transportation	921,983	355,286	4,744,372	628,820	1,230,519
Community Services	-	-	-	3,800	-
Employee Benefits	2,408,734	952,094	16,296,702	865,194	4,319,527
Debt Service	1,130,381	922,137	6,753,813	473,805	2,768,517
Total Expenditures	\$ 13,613,249	\$ 6,470,079	\$ 81,932,528	\$ 6,311,958	\$ 19,231,461
Other Uses:					
Interfund Transfers	23,464	150,000	2,700,000	39,691	140,445
Total Expenditures and Other Uses	\$ 13,636,713	\$ 6,620,079	\$ 84,632,528	\$ 6,351,649	\$ 19,371,906
Excess (Deficit) Revenues Over Expenditures	1,104,254	10,141	(2,050,246)	280,773	(154,787)
FUND BALANCE					
Fund Balance - Beginning of Year	1,816,539	1,721,980	11,425,063	942,192	1,909,365
Prior Period Adjustments (net)	-	-	-	-	380,974
Other Adjustments	-	-	-	-	-
Fund Balance - End of Year	\$ 2,920,793	\$ 1,732,121	\$ 9,374,817	\$ 1,222,965	\$ 2,135,552

* 2008 Financials. 2009 Audit not available at time of printing.

Source: Annual financial reports of the Component School Districts.

**COMPONENT SCHOOL DISTRICTS
FINANCIAL INFORMATION**

GENERAL FUND: Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30, 2009

	Rotterdam <u>Mohonasen</u>	Niskayuna	North Colonie	Ravena Coeymans <u>Selkirk</u>	<u>Schalmont</u>
<u>REVENUES</u>					
Real Property Taxes	\$ 16,582,598	\$ 46,836,030	\$ 56,464,012	\$ 18,513,160	\$ 27,554,292
Other Tax Items	4,913,765	-	4,944,939	5,412,986	-
Charges for Services	303,131	229,499	2,446,874	265,761	42,764
Use of Money & Property	384,480	814,392	953,043	141,593	99,633
Forfeitures	-	-	300	-	-
Sale of Property and Compensation for Loss	5,387	9,023	110,677	54,473	1,028
Miscellaneous	284,772	472,192	459,431	162,663	160,636
Interfund Revenues	-	-	-	-	1,304
Revenues from State Sources	19,304,397	19,901,935	20,182,107	16,586,924	12,885,980
Revenues from Federal Sources	286,860	584,718	220,508	208,634	96,028
Total Revenues	<u>\$ 42,065,390</u>	<u>\$ 68,847,789</u>	<u>\$ 85,781,891</u>	<u>\$ 41,346,194</u>	<u>\$ 40,841,665</u>
Other Sources:					
Interfund Transfers	17,065	-	-	-	-
Total Revenues and Other Sources	<u>\$ 42,082,455</u>	<u>\$ 68,847,789</u>	<u>\$ 85,781,891</u>	<u>\$ 41,346,194</u>	<u>\$ 40,841,665</u>
<u>EXPENDITURES</u>					
General Support	\$ 4,715,790	\$ 8,359,983	\$ 9,905,875	\$ 4,921,823	\$ 3,726,875
Instruction	22,148,143	36,006,572	47,465,651	23,662,886	18,907,723
Pupil Transportation	1,987,530	4,284,462	4,619,948	3,147,424	2,336,578
Community Services	1,500	12,372	-	-	-
Employee Benefits	7,957,495	11,917,200	15,017,349	7,218,077	8,985,148
Debt Service	3,193,610	6,885,045	4,805,754	3,690,677	3,535,007
Total Expenditures	<u>\$ 40,004,068</u>	<u>\$ 67,465,634</u>	<u>\$ 81,814,577</u>	<u>\$ 42,640,887</u>	<u>\$ 37,491,331</u>
Other Uses:					
Interfund Transfers	51,901	355,883	1,644,166	91,058	5,214,815
Total Expenditures and Other Uses	<u>\$ 40,055,969</u>	<u>\$ 67,821,517</u>	<u>\$ 83,458,743</u>	<u>\$ 42,731,945</u>	<u>\$ 42,706,146</u>
Excess (Deficit) Revenues Over Expenditures	2,026,486	1,026,272	2,323,148	(1,385,751)	(1,864,481)
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	5,574,716	9,619,457	11,085,928	3,119,086	8,187,881
Prior Period Adjustments (net)	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 7,601,202</u>	<u>\$ 10,645,729</u>	<u>\$ 13,409,076</u>	<u>\$ 1,733,335</u>	<u>\$ 6,323,400</u>

Source: Annual financial reports of the Component School Districts.

**COMPONENT SCHOOL DISTRICTS
FINANCIAL INFORMATION**

GENERAL FUND: Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30, 2009

<u>REVENUES</u>	<u>Schenectady</u>	<u>Schoharie</u>	<u>Scotia-Glenville</u>	<u>Sharon Springs</u>	<u>Shenendehowa</u>
Real Property Taxes	\$ 37,802,658	\$ 6,385,884	\$ 20,082,107	\$ 1,787,231	\$ 84,491,932
Other Tax Items	16,383,892	1,874,088	4,578,631	738,197	11,723,288
Charges for Services	311,380	52,082	337,608	43,368	237,622
Use of Money & Property	375,903	95,268	242,293	12,355	591,686
Forfeitures	-	-	-	-	-
Sale of Property and Compensation for Loss	50,409	3,079	42,862	16,435	719
Miscellaneous	1,169,541	285,671	418,835	78,051	644,038
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	94,060,449	10,204,741	18,529,777	4,938,981	45,214,914
Revenues from Federal Sources	840,282	68,228	179,816	2,005	343,324
Total Revenues	\$ 150,994,514	\$ 18,969,041	\$ 44,411,929	\$ 7,616,623	\$ 143,247,523
Other Sources:					
Interfund Transfers	181,820	-	-	1,000	-
Total Revenues and Other Sources	\$ 151,176,334	\$ 18,969,041	\$ 44,411,929	\$ 7,617,623	\$ 143,247,523
<u>EXPENDITURES</u>					
General Support	\$ 13,631,254	\$ 1,807,476	\$ 5,466,416	\$ 974,301	\$ 14,462,128
Instruction	92,341,567	9,078,986	24,305,453	3,681,888	72,424,262
Pupil Transportation	7,624,907	1,111,842	1,666,213	433,434	8,044,784
Community Services	82,702	4,750	1,207	-	15,548
Employee Benefits	25,419,324	4,301,683	8,096,409	1,488,763	31,742,160
Debt Service	8,392,313	1,697,815	3,166,672	850,823	215,766
Total Expenditures	\$ 147,492,067	\$ 18,002,552	\$ 42,702,370	\$ 7,429,209	\$ 126,904,648
Other Uses:					
Interfund Transfers	475,000	18,481	75,939	25,829	12,500,000
Total Expenditures and Other Uses	\$ 147,967,067	\$ 18,021,033	\$ 42,778,309	\$ 7,455,038	\$ 139,404,648
Excess (Deficit) Revenues Over Expenditures	3,209,267	948,008	1,633,620	162,585	3,842,875
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	19,964,634	4,306,014	8,052,355	1,433,107	10,082,672
Prior Period Adjustments (net)	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Fund Balance - End of Year	\$ 23,173,901	\$ 5,254,022	\$ 9,685,975	\$ 1,595,692	\$ 13,925,547

Source: Annual financial reports of the Component School Districts.

**COMPONENT SCHOOL DISTRICTS
FINANCIAL INFORMATION**

GENERAL FUND: Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30, 2009

<u>REVENUES</u>	<u>South Colonie</u>	<u>Voorheesville</u>	<u>Watervilet *</u>
Real Property Taxes	\$ 61,262,912	\$ 12,801,802	\$ 5,464,457
Other Tax Items	-	1,625,769	637,536
Charges for Services	1,260,817	214,623	299,646
Use of Money & Property	590,527	127,670	67,470
Forfeitures	-	-	-
Sale of Property and Compensation for Loss	7,183	6,958	-
Miscellaneous	441,000	208,787	185,110
Interfund Revenues	-	-	-
Revenues from State Sources	23,140,625	6,411,386	11,339,277
Revenues from Federal Sources	48,597	17,613	128,676
Total Revenues	<u>\$ 86,751,661</u>	<u>\$ 21,414,608</u>	<u>\$ 18,122,172</u>
Other Sources:			
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 86,751,661</u>	<u>\$ 21,414,608</u>	<u>\$ 18,122,172</u>
<u>EXPENDITURES</u>			
General Support	\$ 8,139,451	\$ 2,246,182	\$ 1,816,654
Instruction	50,094,467	11,166,782	10,447,031
Pupil Transportation	4,165,993	969,674	1,600,160
Community Services	455,876	39,079	-
Employee Benefits	16,180,076	4,269,340	3,380,025
Debt Service	5,724,073	2,280,124	570,556
Total Expenditures	<u>\$ 84,759,936</u>	<u>\$ 20,971,181</u>	<u>\$ 17,814,426</u>
Other Uses:			
Interfund Transfers	<u>140,000</u>	<u>69,833</u>	<u>10,727</u>
Total Expenditures and Other Uses	<u>\$ 84,899,936</u>	<u>\$ 21,041,014</u>	<u>\$ 17,825,153</u>
Excess (Deficit) Revenues Over Expenditures	<u>1,851,725</u>	<u>373,594</u>	<u>297,019</u>
<u>FUND BALANCE</u>			
Fund Balance - Beginning of Year	9,955,409	1,728,795	(1,390,720)
Prior Period Adjustments (net)	21,920	-	-
Other Adjustments	-	-	83
Fund Balance - End of Year	<u>\$ 11,829,054</u>	<u>\$ 2,102,389</u>	<u>\$ (1,093,618)</u>

* 2008 Financials. 2009 Audit not available at time of printing.

Source: Annual financial reports of the Component School Districts.

COMPONENT SCHOOL DISTRICTS
STATUS OF INDEBTEDNESS
(Fiscal Year Ending June 30, 2009)

Component School District	Bonds	Notes	Other Debt	Total Debt Outstanding
Berne-Knox-Westerlo	\$ 4,560,000	\$ -	\$ 61,112	\$ 4,621,112
Bethlehem	94,429,850	5,875,850	4,699,704	105,005,404
Burnt Hills-Ballston Lake	23,673,221	6,418,362	-	30,091,583
Cobleskill/Richmondville	40,925,000	1,701,009	-	42,626,009
Cohoes *	12,746,318	15,900,000	-	28,646,318
Duanesburg	8,437,601	-	-	8,437,601
Green Island	10,047,680	-	-	10,047,680
Guilderland	39,265,000	17,373,036	-	56,638,036
Menands *	4,225,000	-	-	4,225,000
Middleburgh	13,135,000	-	803,270	13,938,270
Rotterdam-Mohonasen	19,887,528	3,000,000	-	22,887,528
Niskayuna	97,124,914	-	259,193	97,384,107
North Colonie	37,745,000	-	9,009	37,754,009
Ravena-Coeymans-Selkirk	22,582,707	3,279,759	6,253	25,868,719
Schalmont	34,485,000	802,640	-	35,287,640
Schenectady	47,495,000	8,875,700	4,915,300	61,286,000
Schoharie	11,248,871	2,482,000	-	13,730,871
Scotia-Glenville	20,055,000	-	609,914	20,664,914
Sharon Springs	6,681,056	-	-	6,681,056
Shenendehowa	88,833,000	9,535,923	170,721	98,539,644
South Colonie	37,899,000	1,665,678	282,421	39,847,099
Vooheesville	14,969,392	240,000	-	15,209,392
Watervliet *	2,230,000	2,350,000	135,744	4,715,744
Totals	<u>\$ 692,681,138</u>	<u>\$ 79,499,957</u>	<u>\$ 11,952,641</u>	<u>\$ 784,133,736</u>

* 2008 Financials. 2009 Audit not available at time of printing.

Note: Tax and Revenue anticipation notes are not included as part of this appendix.

ALBANY, SCHOHARIE, SCHENECTADY & SARATOGA BOCES

ACTUAL MONTHLY CASHFLOW

(General Fund)

(000's OMITTED)

2009-10 CASHFLOW	2010												12 MONTH TOTAL
	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
Beginning Balance:	\$8,647	\$9,651	\$9,621	\$4,817	\$3,914	\$3,708	\$433	\$1,014	\$1,279	\$6,601	\$6,865	\$8,930	\$8,647
Receipts:													
Collections of A/R	8,287	6,173	3,391	5,190	8,043	8,569	8,840	8,343	12,961	7,719	9,447	20,000	106,963
Other Programs	66	372	114	511	392	938	59	1,731	546	1,515	23	250	6,517
Federal Funds	0	0	0	0	0	300	0	0	750	0	150	650	1,850
Loan	0	0	0	0	0	0	0	0	0	0	0	0	0
State Aid	0	0	9,459	0	0	0	0	2,434	0	0	0	6,000	17,893
RAN	0	9,523	0	0	0	0	0	0	0	0	0	0	9,523
Total Receipts	\$8,353	\$16,068	\$12,964	\$5,701	\$8,435	\$9,807	\$8,899	\$12,508	\$14,257	\$9,234	\$9,620	\$26,900	\$142,746
Total Available Cash	\$17,000	\$25,719	\$22,585	\$10,518	\$12,349	\$13,515	\$9,332	\$13,522	\$15,536	\$15,835	\$16,485	\$35,830	
Disbursements:													
Payroll	2,804	1,658	4,318	4,270	4,240	6,417	4,279	4,317	4,278	4,275	4,301	5,661	50,818
Benefits	1,463	1,526	988	134	1,671	829	964	929	970	939	153	1,750	12,316
Accounts Payable	2,182	3,080	2,685	2,200	2,730	2,444	3,075	2,014	3,687	2,138	3,101	11,000	40,336
Facilities	0	0	0	0	0	0	0	0	0	1,618	0	0	1,618
State Aid	0	0	9,459	0	0	0	0	4,983	0	0	0	6,000	20,442
NYS Retirement	0	0	0	0	0	1,482	0	0	0	0	0	0	1,482
Loans to Fed Fund	900	650	300	0	0	0	0	0	0	0	0	0	1,850
Payback Loans	0	450	18	0	0	0	0	0	0	0	0	0	468
Return of Surplus	0	0	0	0	0	1,910	0	0	0	0	0	1,500	3,410
RAN Principal	0	8,500	0	0	0	0	0	0	0	0	0	0	8,500
RAN Interest	0	234	0	0	0	0	0	0	0	0	0	0	234
Total Disbursements	\$7,349	\$16,098	\$17,768	\$6,604	\$8,641	\$13,082	\$8,318	\$12,243	\$8,935	\$8,970	\$7,555	\$25,911	\$141,474
Ending Balance:	\$9,651	\$9,621	\$4,817	\$3,914	\$3,708	\$433	\$1,014	\$1,279	\$6,601	\$6,865	\$8,930	\$9,919	

ALBANY, SCHOHARIE, SCHENECTADY & SARATOGA BOCES

ESTIMATED MONTHLY CASH FLOW

(General Fund)

(000's OMITTED)

2010-11 CASHFLOW	2010					2011					13 MONTH TOTAL				
	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR		MAY	JUN	JUL	AUG
Beginning Balance:	\$9,919	\$12,109	\$11,222	\$6,322	\$3,522	\$3,412	\$312	\$872	\$372	\$5,072	\$5,772	\$7,312	\$9,285	\$11,452	\$9,919
Receipts:															
Collections of A/R	10,000	6,500	3,500	5,200	8,000	8,600	9,000	9,000	13,000	9,000	10,108	21,400	8,867	6,955	129,130
Other Programs	190	300	150	500	390	500	60	1,500	400	1,500	50	250	200	200	6,190
Federal Funds	0	0	0	0	0	300	0	0	800	0	200	650	0	0	1,950
State Aid	0	0	9,800	0	0	0	0	2,500	0	0	0	6,420	0	0	18,720
RAN	0	9,500	0	0	0	0	0	0	0	0	0	0	0	0	9,500
Total Receipts	\$10,190	\$16,300	\$13,450	\$5,700	\$8,390	\$9,400	\$9,060	\$13,000	\$14,200	\$10,500	\$10,358	\$28,720	\$9,067	\$7,155	\$165,490
Total Available Cash	\$20,109	\$28,409	\$24,672	\$12,022	\$11,912	\$12,812	\$9,372	\$13,872	\$14,572	\$15,572	\$16,130	\$36,032	\$18,352	\$18,607	
Disbursements:															
Payroll	3,000	1,708	4,500	4,500	4,500	6,800	4,500	4,500	4,500	4,500	4,500	6,057	3,000	1,774	58,339
Benefits	1,600	1,600	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,565	1,632	16,397
Accounts Payable	2,500	3,500	2,700	3,000	3,000	3,000	3,000	3,000	4,000	2,300	3,318	11,770	2,335	3,296	50,719
Facilities	0	0	0	0	0	0	0	0	0	2,000	0	0	0	0	2,000
State Aid	0	0	9,800	0	0	0	0	5,000	0	0	0	6,420	0	0	21,220
NYS Retirement	0	0	0	0	0	1,700	0	0	0	0	0	0	0	0	1,700
Loans to Fed Fund	900	700	350	0	0	0	0	0	0	0	0	0	0	2,000	3,950
Return of Surplus	0	0	0	0	0	0	0	0	0	0	0	1,500	0	0	1,500
RAN Principal Payment	0	9,500	0	0	0	0	0	0	0	0	0	0	0	9,500	19,000
RAN Interest Payment	0	179	0	0	0	0	0	0	0	0	0	0	0	200	379
Total Disbursements	\$8,000	\$17,187	\$18,350	\$8,500	\$8,500	\$12,500	\$8,500	\$13,500	\$9,500	\$9,800	\$8,818	\$26,747	\$6,900	\$18,402	\$175,204
Ending Balance:	\$12,109	\$11,222	\$6,322	\$3,522	\$3,412	\$312	\$872	\$372	\$5,072	\$5,772	\$7,312	\$9,285	\$11,452	\$205	

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
for THE SOLE SUPERVISORY DISTRICT of
ALBANY, SCHOHARIE, SCHENECTADY AND SARATOGA COUNTIES, NEW YORK

AUDITED FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION

JUNE 30, 2009

Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES

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BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
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This section of the Board of Cooperative Educational Services' (hereinafter referred to as "BOCES") annual financial report presents its discussion and analysis of financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net assets decreased by approximately \$5.8 million in 2009 primarily due to the recording of the post employment benefit obligation of approximately \$11.1 million and increased 137% in 2008 due to increased charges in services and sales over expenditures;
- Revenues increased by 7% and 5% in 2009 and 2008, respectively, as a result of increased charges for services and sales;
- BOCES continued to offer all programs, without reducing services, while maintaining adequate fund reserves.

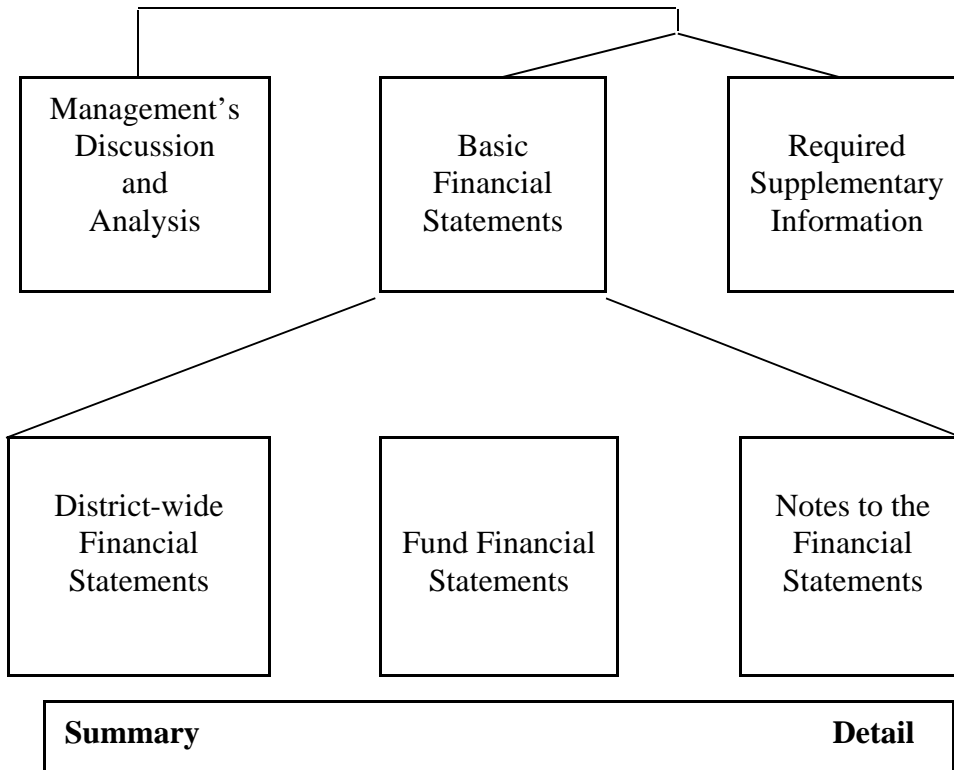
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to BOCES' basic financial statements. BOCES' annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of BOCES:

- The first two statements are **government-wide financial statements** that provide both *short-term* and *long-term* information about BOCES' *overall* financial status.
- The remaining statements are **fund financial statements** that focus on *individual parts* of BOCES, reporting the operations in *more detail* than the entity-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.
- **Fiduciary fund** statements provide information about the financial relationships in which BOCES acts solely as a *trustee* or *agent* for the benefit of others, including the employees of BOCES.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of BOCES' budget for the year, details as to amounts due from school districts and other BOCES and special revenue fund activities. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the BOCES' Annual Financial Report



BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
 JUNE 30, 2009

Table A-2 Summarizes the major features of BOCES' financial statements, including the portion of BOCES' activities that they cover and the types of information that they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the Entity-wide and Fund Financial Statements

	Entity-wide <u>Statements</u>	Fund Financial Statements	
		<u>Governmental</u>	<u>Fiduciary</u>
1. Scope	Entire governmental entity (except fiduciary funds)	The day-to-day operating activities of BOCES, such as special education and instruction	Instances in which BOCES administers resources on behalf of others, such as employee benefits
2. Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
3. Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
4. Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term; funds do not contain capital assets, although they can
5. Type of inflow and outflow information	All revenues and expenses during year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about BOCES as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of 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 or paid.

The two district-wide statements report BOCES' *net assets* and how they have changed. Net assets, the difference between the assets and liabilities, is one way to measure the financial health or position of BOCES.

- Over time, increases and decreases in net assets are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of BOCES, additional non-financial factors such as changes in BOCES' component and non-component District's health and the condition of buildings and other facilities should be considered.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, 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. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources management focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets;
- Report long-term liabilities including debt and compensated absences;
- Depreciate capital assets;
- Calculate revenue and expenses 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.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about BOCES' funds. Funds are accounting devices that BOCES uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

BOCES has two kinds of funds:

- **Governmental funds:** Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of BOCES. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship (or differences) between them. In summary, the governmental fund statements focus primarily on the sources, uses and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special revenue 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:** BOCES is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purpose and by those to whom the assets belong. BOCES excludes these activities from the entity-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 should be used to support BOCES' own programs and 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.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2009

FINANCIAL ANALYSIS OF BOCES AS A WHOLE

BOCES' net deficit increased \$5.8 million in 2009 to \$4.8 million as detailed in Tables A-3 and A-4.

Table A-3: Condensed Statement of Net Assets (Deficit) - Governmental Activities
(in millions)

	Fiscal Year <u>2009</u>	Fiscal Year <u>2008</u>
Current and other assets	\$ 36.4	\$ 36.4
Capital assets, net of depreciation	<u>19.5</u>	<u>17.5</u>
Total Assets	<u>55.9</u>	<u>53.9</u>
Current liabilities	28.6	31.0
Long-term liabilities	<u>32.1</u>	<u>21.9</u>
Total Liabilities	<u>60.7</u>	<u>52.9</u>
Net assets (deficit)		
Investment in capital assets, net of related debt	13.8	12.7
Restricted	8.6	6.7
Unrestricted	<u>(27.2)</u>	<u>(18.4)</u>
Total Net Deficit	<u><u>\$ (4.8)</u></u>	<u><u>\$ 1.0</u></u>

CHANGES IN NET ASSETS (DEFICIT)

BOCES' total fiscal year 2009 revenues (for General and Special Aid Funds) totaled \$112.5 million as compared to \$105.9 million in 2008 (See Table A-4). Charges to components and charges to non-components and other BOCES accounted for most of BOCES' revenue by contributing .93¢ for every dollar raised in 2009 and 2008 (See Table A-5). The remainder came from state, local and federal aid, fees charged for services, operating grants and other miscellaneous sources.

The total cost of all programs and services (for General and Special Aid Funds) totaled \$118.4 million for fiscal year 2009 as compared to \$102.2 million in 2008. These expenses are predominately related to instruction for handicapped and other services in 2009 and 2008, respectively (See Table A-6). BOCES' administrative and business activities accounted for 8.0% and 7.4% of total costs in 2009 and 2008, respectively.

Net assets decreased by \$5.8 in 2009 and increased \$3.6 million in 2008.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2009

**Table A-4: Changes in Net Assets from Operating Results
Governmental Activities Only
(in millions)**

	Fiscal Year <u>2009</u>	Fiscal Year <u>2008</u>
Revenues (General and Special Aid Funds)		
Program Revenues		
Charges for Services and Sales	\$ 104.5	\$ 98.5
Operating Grants and General Revenues	<u>8.0</u>	<u>7.4</u>
Total Revenues	<u>112.5</u>	<u>105.9</u>
Expenses (General and Special Aid Funds)		
Administration	9.5	7.6
Occupational Education	14.9	12.8
Instruction for Handicapped	38.0	34.0
Itinerant Services	8.2	7.3
General Instruction	6.7	6.5
Instructional Support	7.7	6.3
Other Services	27.0	22.9
Depreciation	<u>6.4</u>	<u>4.8</u>
Total Expenses	<u>118.4</u>	<u>102.2</u>
Increase (Decrease) in Net Assets	(5.9)	3.7
Return of Surplus, Net of Holdback	<u>.1</u>	<u>(.1)</u>
(Increase) Decrease in Net Deficit	<u><u>\$ (5.8)</u></u>	<u><u>\$ 3.6</u></u>

Table A-5: Detail of Revenues (General and Special Aid Funds)

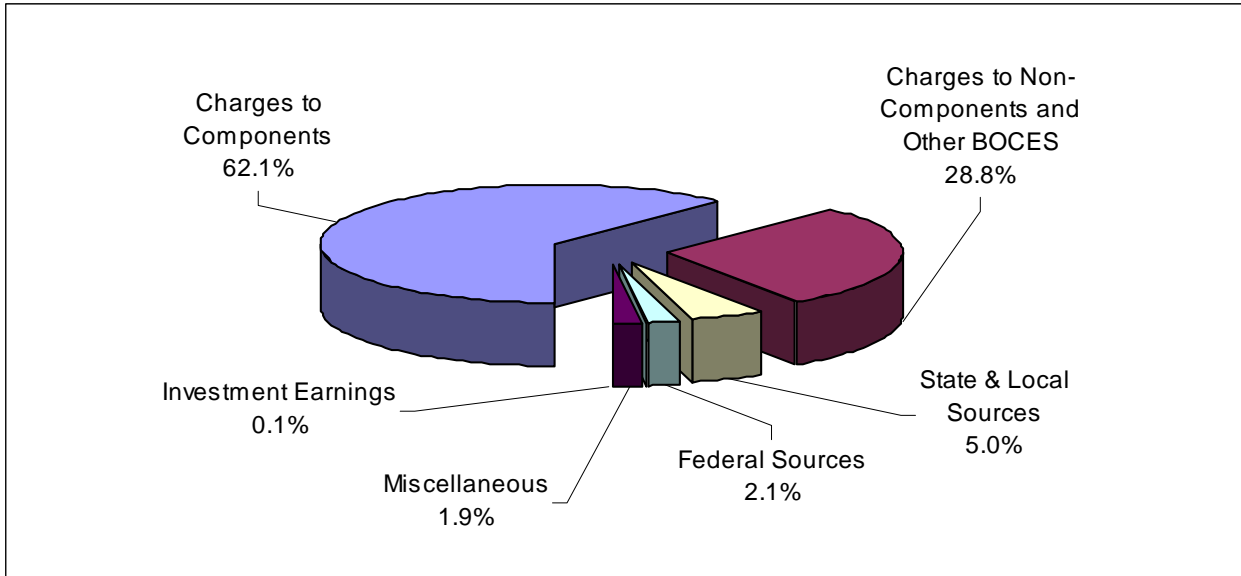
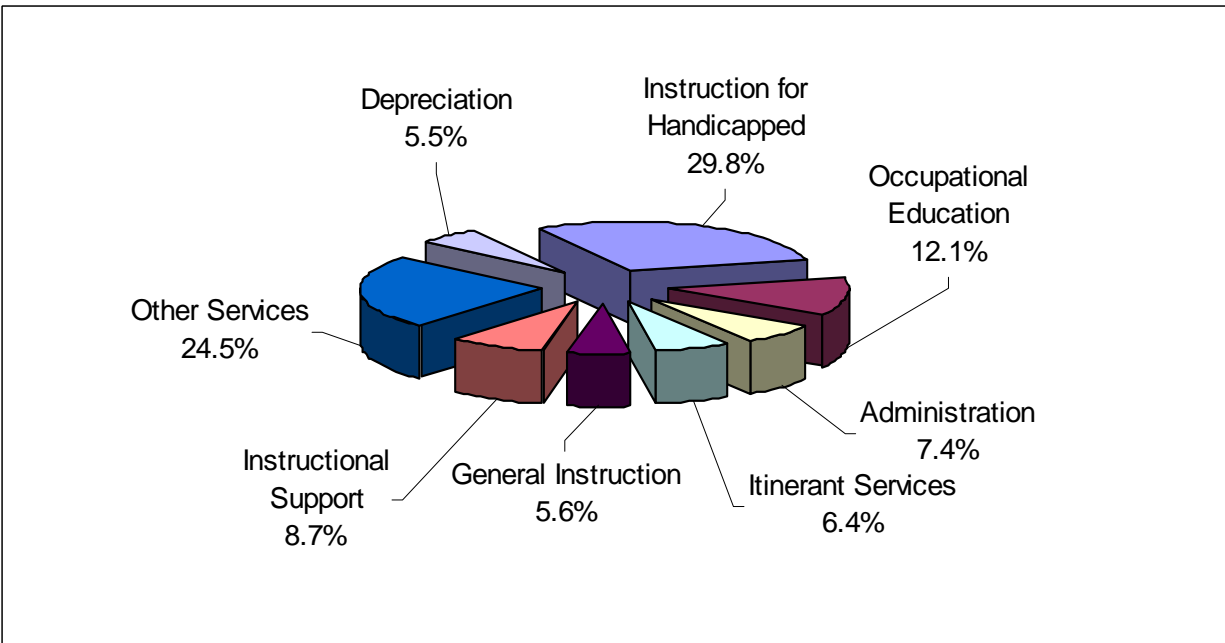


Table A-6: Detail of Expenses (General and Special Aid Funds)



BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
 JUNE 30, 2009

GOVERNMENTAL ACTIVITIES

Revenues for BOCES governmental activities totaled \$113.4 million while expenses totaled \$110.7 million in 2009 compared to \$106.1 and \$103.2 million in 2008, respectively. After providing for the unpaid surplus, the increase in fund balances for the governmental funds was \$2.9 and \$2.8 million in 2009 and 2008, respectively.

Table A-7 presents the cost of seven major BOCES activities: administration, occupational education, instruction for handicapped, itinerant services, general instruction, instructional support and other services. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental support provided for special programs). The net cost shows the financial burden placed on BOCES' components by each of these functions.

Table A-7: Net Cost of Governmental Activities
 (in millions)

Category	2009		2008	
	Total Cost	(Net Cost) Surplus	Total Cost	(Net Cost) Surplus
Administration	\$ 9.5	\$ (.8)	\$ 7.6	\$.4
Occupational Education	14.9	(.4)	12.8	.7
Instruction for Handicapped	38.0	(3.1)	34.0	1.1
Itinerant Services	8.2	(.7)	7.3	(.4)
General Instruction	6.7	.2	6.5	.2
Instructional Support	7.7	2.7	6.3	2.2
Other Services including Depreciation	33.4	(3.9)	27.7	(.5)
Total	<u>\$ 118.4</u>	<u>\$ (6.0)</u>	<u>\$ 102.2</u>	<u>\$ 3.7</u>

- The cost of all governmental activities was \$118.4 and \$102.2 million in 2009 and 2008, respectively. (Statement of Activities Expenses column)
- The users of BOCES' programs (\$104.5 and \$98.5 million in 2009 and 2008, respectively) financed a majority of the cost. (Statement of Activities Charges for Services and Sales column)
- The federal, state and local governments subsidized certain programs with grants and contributions (\$7.9 and \$7.4 million in 2009 and 2008, respectively). (Statement of Activities Operating Grants and Contributions column)

FINANCIAL ANALYSIS OF BOCES' FUNDS

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

The District's governmental fund financial statements had variances in the General Fund. The General Fund increased by \$2.9 million and \$2.8 million in 2009 and 2008, respectively, due primarily to the excess of charges in services and sales over expenditures. The Capital Projects Fund equity increased in 2009 and 2008 due to operating transfer and grants to fund future expenditures.

No other significant variances are reflected in the governmental fund financial statements for 2009 and 2008.

BUDGETARY HIGHLIGHTS

Over the course of the year, BOCES revised its budget several times. These budget amendments fall into two categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances and encumbrances carried-over from the prior year.
- Changes made to account for significant increases in purchased services from component, noncomponent and other BOCES.

BOCES had a number of significant budget amendments during the year ended June 30, 2009 to provide additional services as requested by components and others. The larger increases related to NERIC instructional services, NERIC administration and comprehensive skills program.

No other budgetary variances are considered to be significant during fiscal year 2009.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table reflects the total cumulative gross and cost of various building renovations and additions, technology and equipment expenditures through the end of fiscal year 2009 and 2008:

Table A-8: Capital Assets
(in millions)

<u>Category</u>	<u>2009</u>	<u>2008</u>
Land Improvements	\$.1	\$.1
Work in Progress	.4	.7
Construction	4.6	4.6
Machinery and Equipment	69.6	63.0
Vehicles	<u>.6</u>	<u>.5</u>
Total Gross Cost	75.3	68.9
Less: Accumulated Depreciation	<u>(55.8)</u>	<u>(51.4)</u>
Net Cost	<u>\$ 19.5</u>	<u>\$ 17.5</u>

Long-Term Debt

At year-end June 30, 2009 and 2008, BOCES had \$5.6 and \$5.1 million in installment purchase debt outstanding, respectively. More detailed information about BOCES' long-term liabilities is presented in Note 8 to the Financial Statements.

FACTORS BEARING ON BOCES' FUTURE

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

- The state has been mandated by the New York State Court of Appeals to revamp the system of state aid formulas in order to provide (or divert) additional funds for children in New York City. This is the result of court action initiated by the Campaign for Fiscal Equity (CFE). It is conceivable that the required new state formulas could be changed such that the formulas which currently drive BOCES aid to school districts are altered in order to decrease the amount of BOCES aid.

CONTACTING BOCES' FINANCIAL MANAGEMENT

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

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JOHN A. CIMINO, CPA, OF COUNSEL

INDEPENDENT AUDITOR'S REPORT

Board of Cooperative Educational Services Albany-Schoharie-Schenectady-Saratoga Counties

We have audited the accompanying general purpose financial statements of the Board of Cooperative Educational Services of Albany-Schoharie-Schenectady-Saratoga Counties ("BOCES"), as of and for the year ended June 30, 2009, as listed in the table of contents. These general purpose financial statements are the responsibility of BOCES' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of BOCES at June 30, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, listed in the foregoing table of contents on pages 1-12 and the budgetary comparison information on page 23, is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 2009 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 in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented on pages 43 to 46, inclusive, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 9, 2009

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2009

ASSETS

Current Assets:

Unrestricted Cash	\$ 8,664,788
Restricted Cash	7,510,196
State and Federal Aid Receivable	12,798,889
Due from School Districts and Other BOCES	5,961,369
Other Receivables - Net	85,029
Due from Fiduciary Net Assets	<u>1,392,551</u>
Total Current Assets	<u>36,412,822</u>

Noncurrent Assets:

Capital Assets	75,308,156
Less Accumulated Depreciation	<u>55,826,213</u>
Total Noncurrent Assets	<u>19,481,943</u>
Total Assets	<u>55,894,765</u>

LIABILITIES

Current Liabilities:

Accounts Payable	2,802,582
Revenue Anticipation Note Payable	8,500,000
Accrued Liabilities	981,998
Due to Other Governments	10,608
Due to Retirement Systems	3,469,459
Deferred Revenues	604,007
State Aid Due School Districts and Other BOCES	9,458,885
Installment Purchase Debt, due within 1 year	<u>2,800,023</u>
Total Current Liabilities	<u>28,627,562</u>

Noncurrent Liabilities:

Installment Purchase Debt	2,839,042
Compensated Absences	18,184,794
Post Employment Benefits	<u>11,084,800</u>
Total Noncurrent Liabilities	<u>32,108,636</u>
Total Liabilities	<u>60,736,198</u>

NET ASSETS (DEFICIT)

Invested in Capital Assets, Net of Related Debt	13,842,878
Restricted	8,645,165
Unrestricted Deficit	<u>(27,329,476)</u>
Total Net Assets (Deficit)	<u>\$ (4,841,433)</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
 FOR THE YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expenses) Revenues and Other Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Administration	\$ 9,510,974	\$ 8,704,182	\$ -	\$ (806,792)
Occupational Education	14,898,043	12,151,476	2,378,095	(368,472)
Instruction for Handicapped	37,965,129	31,763,929	3,074,768	(3,126,432)
Itinerant Services	8,232,000	7,560,033	17,557	(654,410)
General Instruction	6,696,609	6,721,919	169,251	194,561
Instruction Support	7,742,921	10,445,148	-	2,702,227
Other Services	<u>26,935,221</u>	<u>27,134,206</u>	<u>2,303,810</u>	<u>2,502,795</u>
Total Before Depreciation	111,980,897	104,480,893	7,943,481	443,477
 Depreciation - unallocated	 <u>6,415,650</u>	 <u>-</u>	 <u>-</u>	 <u>(6,415,650)</u>
Total Functions/Programs	<u>\$ 118,396,547</u>	<u>\$ 104,480,893</u>	<u>\$ 7,943,481</u>	(5,972,173)
 <u>Other Sources and Uses:</u>				
Return of Surplus Unpaid				(2,192,328)
Reserve for Benefits				696,409
Reserve for Insurance Claims				227,012
Reserve for Equipment				250,809
Reserve for Liability Claims				1,019,813
Encumbrance Reserve Change				<u>156,513</u>
 Change in Net Assets (Deficit)				(5,813,945)
 Net Assets, Beginning of Year				<u>972,512</u>
 Net Assets, End of Year				<u>\$(4,841,433)</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 COMBINED BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2009

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets:				
Unrestricted Cash	\$ 8,658,507	\$ 6,281	\$ -	\$ 8,664,788
Restricted Cash	6,773,361	6,835	730,000	7,510,196
State and Federal Aid Receivable	9,458,885	3,340,004	-	12,798,889
Due from School Districts and Other BOCES	5,961,369	-	-	5,961,369
Other Receivables, Net	41,399	43,630	-	85,029
Due from Other Funds	<u>4,036,635</u>	<u>-</u>	<u>-</u>	<u>4,036,635</u>
Total Assets	<u>\$ 34,930,156</u>	<u>\$ 3,396,750</u>	<u>\$ 730,000</u>	<u>\$ 39,056,906</u>
LIABILITIES				
Liabilities:				
Accounts Payable	\$ 2,694,231	\$ 108,351	\$ -	\$ 2,802,582
Accrued Liabilities	898,514	83,484	-	981,998
Revenue Anticipation Notes	8,500,000	-	-	8,500,000
Due to Other Funds	23	2,641,765	2,296	2,644,084
Due to Other Governments	3,144	7,464	-	10,608
Due to Retirement Systems	3,469,459	-	-	3,469,459
State Aid Due School Districts and Other BOCES	9,458,885	-	-	9,458,885
Deferred Revenue	<u>48,321</u>	<u>555,686</u>	<u>-</u>	<u>604,007</u>
Total Liabilities	<u>25,072,577</u>	<u>3,396,750</u>	<u>2,296</u>	<u>28,471,623</u>
FUND EQUITY				
Fund Balance:				
Reserve for Encumbrances	1,212,414	163,943	-	1,376,357
Reserve for Retirement Benefits	5,843,660	-	-	5,843,660
Reserve for Insurance Claims	1,478,823	-	-	1,478,823
Reserve for Equipment	302,869	-	-	302,869
Reserve for Liability Claims	1,019,813	-	-	1,019,813
Designated, Capital Projects	-	-	177,865	177,865
Undesignated	<u>-</u>	<u>(163,943)</u>	<u>549,839</u>	<u>385,896</u>
Total Fund Equity	<u>9,857,579</u>	<u>-</u>	<u>727,704</u>	<u>10,585,283</u>
Total Liabilities and Fund Equity	<u>\$ 34,930,156</u>	<u>\$ 3,396,750</u>	<u>\$ 730,000</u>	<u>\$ 39,056,906</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 10,585,283
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets that were acquired in current and prior periods are recognized as governmental fund economic resources, net of accumulated depreciation.	19,481,943
Long-term liabilities, including installment purchase debt and compensated absences are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental funds statements.	(23,823,859)
Other post-employment benefit liability is recognized as a liability under full accrual accounting in the statement of net assets	<u>(11,084,800)</u>
Net Deficit of Governmental Activities	<u>\$ (4,841,433)</u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES:				
Charges to Components	\$ 69,875,474	\$ -	\$ -	\$ 69,875,474
Charges to Non-Components and Other BOCES	32,404,797	-	-	32,404,797
Interest and Earnings	99,326	-	-	99,326
Miscellaneous	2,092,998	-	-	2,092,998
Interfund Revenues	992,041	-	-	992,041
State and Local Sources	-	5,130,287	468,398	5,598,685
Federal Sources	-	2,353,094	-	2,353,094
Total Revenues	<u>105,464,636</u>	<u>7,483,381</u>	<u>468,398</u>	<u>113,416,415</u>
EXPENDITURES:				
Administration	8,692,589	-	-	8,692,589
Occupational Instruction	11,708,254	2,435,739	-	14,143,993
Instruction for Handicapped	31,758,252	3,087,184	-	34,845,436
Itinerant Services	7,508,729	17,557	-	7,526,286
General Instruction	6,425,388	169,251	-	6,594,639
Instructional Support	10,213,888	-	-	10,213,888
Other Services	26,973,506	1,680,096	-	28,653,602
Capital Outlay	-	-	40,220	40,220
Total Expenditures	<u>103,280,606</u>	<u>7,389,827</u>	<u>40,220</u>	<u>110,710,653</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES:	<u>2,184,030</u>	<u>93,554</u>	<u>428,178</u>	<u>2,705,762</u>
OTHER SOURCES AND (USES):				
Operating Transfers - Reserve for Benefits	696,409	-	-	696,409
Operating Transfers - Reserve for Insurance Claims	227,012	-	-	227,012
Operating Transfers - Reserve for Equipment	250,809	-	-	250,809
Operating Transfers - Reserve for Liability Claims	1,019,813	-	-	1,019,813
Operating Transfers - Refund of Surplus Unpaid	(2,192,328)	-	-	(2,192,328)
Operating Transfers - In(Out)	8,298	-	(8,298)	-
Total Other Financial Sources and Uses	<u>10,013</u>	<u>-</u>	<u>(8,298)</u>	<u>1,715</u>
OTHER CHANGES IN FUND EQUITY:				
Plus: Encumbrances, Ending	1,212,414	163,943	-	1,376,357
Less: Encumbrances, Beginning	(962,347)	(257,497)	-	(1,219,844)
Total Other Changes in Fund Equity	<u>250,067</u>	<u>(93,554)</u>	<u>-</u>	<u>156,513</u>
Net Change in Fund Equity	2,444,110	-	419,880	2,863,990
Fund Equity, Beginning of Year	<u>7,413,469</u>	<u>-</u>	<u>307,824</u>	<u>7,721,293</u>
Fund Equity, End of Year	<u>\$ 9,857,579</u>	<u>\$ -</u>	<u>\$ 727,704</u>	<u>\$ 10,585,283</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
*RECONCILIATION OF THE GOVERNMENTAL FUNDS COMBINED STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009*

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,863,990
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays not funded by installment purchase agreements are reported as additions to capital assets under the full accrual basis of accounting.	5,239,649
Disposals of capital assets are reported as a reduction to capital assets under the full accrual basis of accounting.	(180,725)
Principal payments on installment purchase obligations are reported as a reduction to debt under the full accrual basis of accounting.	2,792,058
Decrease in compensated absences is recorded as an increase to expense under the full accrual basis of accounting.	971,533
Depreciation expense is recorded under the full accrual basis of accounting.	(6,415,650)
Certain post-employment benefits are recognized as an expense in the statement of activities under full accrual accounting.	<u>(11,084,800)</u>
Change in Net Assets of Governmental Activities.	<u>\$ (5,813,945)</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	<u>Private-Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents - Restricted	\$ 20,925	\$ 2,136,747
Accounts Receivable	-	4,706
Total Assets	<u>\$ 20,925</u>	<u>\$ 2,141,453</u>
LIABILITIES		
Due to Student Groups	\$ -	\$ 22,835
Due to Other Funds	-	1,392,574
Health Insurance	-	603,202
Other Liabilities	-	122,842
Total Liabilities	<u>-</u>	<u>\$ 2,141,453</u>
NET ASSETS		
Reserved for Scholarships	<u>20,925</u>	
Total Net Assets	<u>20,925</u>	
 Total Liabilities and Net Assets	 <u>\$ 20,925</u>	

BOARD OF COOPERATIVE EDUCATIONAL SERVICE
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Private-Purpose Trusts
ADDITIONS	
Gifts and Contributions	\$ 10,386
Investment Income	<u>173</u>
Total Additions	10,559
DEDUCTIONS	
Scholarships Awarded	<u>10,838</u>
Change in Net Assets	(279)
Net Assets - Beginning of Year	<u>21,204</u>
Net Assets - End of Year	<u><u>\$ 20,925</u></u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICE
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 BUDGETARY COMPARISON STATEMENT-GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2009

	Budget (Amended)	Actual	Variance Favorable (Unfavorable)
REVENUES			
Charges to Components	\$ 70,837,822	\$ 69,875,474	\$ (962,348)
Charges to Non-Components and Other BOCES	32,404,797	32,404,797	-
Interest and Earnings	475,000	99,326	(375,674)
Miscellaneous	740,580	2,092,998	1,352,418
Interfund Revenues and Transfers	<u>1,381,269</u>	<u>1,000,339</u>	<u>(380,930)</u>
Total Revenues	<u>105,839,468</u>	<u>105,472,934</u>	<u>(366,534)</u>
EXPENDITURES			
Administration	9,749,815	8,738,270	1,011,545
Occupational Instruction	12,091,607	11,794,377	297,230
Instruction for Handicapped	32,567,842	31,761,472	806,370
Itinerant Services	8,002,876	7,508,729	494,147
General Instruction	6,859,708	6,577,305	282,403
Instructional Support	11,031,603	10,352,951	678,652
Other Services	<u>29,924,014</u>	<u>27,759,916</u>	<u>2,164,098</u>
Total Expenditures	<u>\$ 110,227,465</u>	<u>\$ 104,493,020</u>	<u>\$ 5,734,445</u>
Excess (Deficiency) of Revenues over Expenditures - Budget Basis	<u>\$ (4,387,997)</u>	979,914	<u>\$ 5,367,911</u>
RECONCILIATION TO GAAP			
Add: Encumbrances at End of Year Included in Actual		<u>1,212,414</u>	
Excess of Revenues Over Expenditures - GAAP Basis		<u>2,192,328</u>	
Other Financing Sources (Uses)			
Operating Transfers - Reserves for Benefits		696,409	
Operating Transfers - Reserve from Insurance Claims		227,012	
Operating Transfers - Reserve for Equipment		250,809	
Operating Transfers - Reserve for Liability Claims		1,019,813	
Operating Transfers - Refund of Surplus		<u>(2,192,328)</u>	
Total Other Financing Uses		<u>1,715</u>	
Excess of Revenues Over Expenditures and Other Financing Uses		2,194,043	
Other Changes in Fund Balance			
Plus: Encumbrances- Ending		1,212,414	
Less: Encumbrances - Beginning		<u>(962,347)</u>	
Net Increase		2,444,110	
Fund Balance, Beginning of Year		<u>7,413,469</u>	
Fund Balance, End of Year		<u>\$ 9,857,579</u>	

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general purpose financial statements of the Board of Cooperative Educational Services of Albany-Schoharie-Schenectady-Saratoga Counties (“BOCES”) have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Cooperative Educational Services. The scope of activities included within the accompanying financial statements are those transactions which comprise BOCES’ operations, and are governed by, or significantly influenced by, this Board.

Boards of Cooperative Educational Services (BOCES) were established by New York State legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, legislation was passed allowing BOCES to provide vocational and special education. BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services and programs to provide educational and support activities more economically, efficiently and equitably than could be provided locally. The Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties provides instructional and support programs and services to the following 24 school districts in New York’s Albany, Schoharie, Schenectady and Saratoga counties:

Berne-Knox-Westerlo	Niskayuna
Bethlehem	North Colonie
Burnt Hills-Ballston Lake	Ravena-Coeymans-Selkirk
Cobleskill-Richmondville	Schalmont
Cohoes City Schools	Schenectady City Schools
Duanesburg	Schoharie
Green Island	Scotia-Glenville
Guilderland	Sharon Springs
Maplewood	Shenendehowa
Menands	South Colonie
Middleburgh	Voorheesville
Mohonasen	Watervliet City Schools

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The financial reporting entity consists of the following, as defined by GASB Statement #14, “*The Financial Reporting Entity*”.

1. The primary government which is BOCES;
2. Organizations for which the primary government is financially accountable, and;
3. 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 general purpose financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on several criteria set forth in GASB Statement #14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of the activity included in BOCES’ reporting entity:

The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of BOCES represent funds of the students of BOCES. The Board exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of BOCES with respect to its financial transactions, the designation of student management, and cash and investment balances are reported in the Trust and Agency Fund of BOCES. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds are located at BOCES’ Business Office.

Basis of Presentation

BOCES’ financial statements are presented on a government-wide, governmental fund and fiduciary fund basis in accordance with GASB Statements #34 - Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments. As a result, these financial statements include a management discussion and analysis of BOCES’ overall financial position and results of operations and financial statements prepared using full accrual accounting for all of BOCES’ activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements

The government-wide financial statements present aggregated information for the overall government, excluding activities reported in fiduciary funds, on a full accrual, economic resources basis. This government-wide focus is more on the sustainability of BOCES as an entity and the change in BOCES' net assets resulting from the current year's activities. Internal fund transactions, including, but not limited to, operating transfers, receivables and payables have been eliminated. Government-wide financial statements include a statement of net assets and a statement of activities.

The statement of net assets recognizes all current and non-current assets including capital assets as well as long-term debt and obligations. BOCES' net assets are reported in three parts-invested in capital assets, net of related debt and accumulated depreciation; restricted net assets due to legal limitations imposed on their use by legislation or external restrictions by other governments; and unrestricted net assets (deficit).

The statement of activities presents a comparison between direct expenses (including depreciation) and related program revenues for each function of BOCES' governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services are allocated among the programs and functions using appropriate allocation methods such as payroll costs and square footage. Program revenues include charges paid by the recipient for the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. BOCES' primary program revenues are fees charged for services. Revenues which are not classified as program revenues are presented as general revenues and consist primarily of operating grants, investment earnings and state and federal aid.

Basic Financial Statements - Fund Financial Statements

The fund financial statements provide information about BOCES' funds. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The focus of governmental fund financial statements is on major funds rather than reporting funds by type with each major fund presented in a separate column. The following funds are used by BOCES.

- a. General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.
- b. Special Revenue - is used to account for the proceeds of specific revenue sources such as Federal and State grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use, other than expendable trusts or major capital projects. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements - Fund Financial Statements (Continued)

c. Other - is used to account for all non-major funds including the capital projects fund.

Fiduciary Fund Financial Statements

The fiduciary fund financial statements include a statement of fiduciary net assets and a statement of changes in fiduciary net assets. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support BOCES' programs. BOCES has the following fiduciary funds:

Private - Purpose Trusts - established to account primarily for the assets of a scholarship program.

Agency - established to account for assets held in trust by BOCES.

Basis of Accounting/Measurement Focus

1. Government-wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred regardless of when the related cash flows take place. Nonexchange transactions, in which BOCES receives value without directly giving equal value in return includes, grants and donations. On an accrual basis, revenue from nonexchange transactions are recognized in the fiscal year for which the underlying transaction takes place. Revenues from grants and donations are recognized in the fiscal year in which the eligibility requirements have been satisfied. This approach differs from the manner in which governmental fund financial statements are prepared. The governmental fund financial statements are reconciled to the government-wide financial statements in separate financial statements.

2. Governmental Fund Financial Statements

The basis of accounting determines when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. Measurement focus is the determination of what is measured. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and interfund balances are included in the fund types on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

2. Governmental Fund Financial Statements (Continued)

Modified Accrual Basis - Generally accepted accounting principles and the New York State Uniform System of Accounts for BOCES require that BOCES use the modified accrual basis of accounting for recording transactions in its governmental fund types and expendable trust and agency funds as applicable. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition for governmental fund revenues. Material revenues that are susceptible to accrual include charges for services, intergovernmental revenues and operating transfers. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures are recorded when the fund liability is incurred except that:

- a. Expenditures for prepaid items are recognized at the time of disbursement when BOCES is liable for payment.
- b. Principal and interest on long-term debt is recognized as an expenditure when due.
- c. Unfunded compensated absences for vacation leave and other compensated absences with similar characteristics and additional salary-related payments are recognized as a liability as the benefits are earned by the employees, based on the rendering of past service and the probability that the employees will be compensated for the benefits through paid time off or some other means. This includes vacation leave and other compensated absences with similar characteristics that were earned but not used during the current or prior periods and for which employees can receive compensation in a future period. Amounts do not include leave expected to lapse and include leave that new employees will eventually qualify for.

In addition, a liability is established for vested sick leave and other compensated absences with similar characteristics, and additional salary-related payments, as employees earn benefits and to the extent it is probable that BOCES will compensate the employees for the benefits through cash payments (which may be conditioned on the employees' termination or retirement), rather than be taken as absences due to illness or other contingencies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

Explanation of Certain Differences Between Fund Statements and District-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the funds statements and the government-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 balances of governmental funds vs. net assets of governmental activities:

Total fund balances 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 fund Balance Sheets.

(B) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance 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.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

Explanation of Certain Differences Between Fund Statements and District-Wide Statements (Continued)

The costs of building and acquiring capital assets (land, buildings and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Assets includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	<u>\$ 75,308,156</u>
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Accumulated depreciation	<u>\$ 55,826,213</u>
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Long-term liabilities are reported in the Statement of Net Assets, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Installment purchase debt	<u>\$ 5,639,065</u>
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Compensated absences payable	<u>\$ 18,184,794</u>
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Post-retirement benefits payable	<u>\$ 11,084,800</u>
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Some of the assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing. However, capital leases are not revenues in the Statement of Activities, but long-term liabilities in the Statement of Net Assets, in the amount of \$5,639,065.

In the Statement of Activities, certain operating expenses (compensated absences and post-retirement benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, post-retirement benefits paid of approximately \$2,071,000 were less than the amounts earned of \$13,155,800. Also, compensated absences (vacations used) of \$19,156,327 were greater than the amounts earned of \$18,184,794.

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$6,415,650 exceeded capital expenditures of \$5,239,649 in the current year.

Repayment of installment purchase debt (\$2,792,058) is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

Investments

Investments are stated at fair value.

Capital Assets and Depreciation

Capital assets are reported at actual or estimated historical cost based on appraisal or deflated current replacement cost. Contributed assets are reported at estimated fair market values at the time received.

Capital assets with a minimum depreciable base of \$500 are depreciated in the government-wide financial statements using the straight-line method with capital assets below this threshold being expensed in the year acquired. Estimated useful lives of the various classes of depreciable assets are as follows: construction - 15-30 years, land improvements - 15-20 years, machinery and equipment - 10-20 years and vehicles - 5-10 years.

Long-Term Debt

Long-term debt includes BOCES' installment purchase debt and other long-term liabilities including vacation and sick leave and other post retirement benefits.

Compensated Absences

Vacation leave is recorded as an expenditure when paid or utilized and the estimated liability is reported. Employees accrue vacation leave based on years of service.

Deferred Revenue

Deferred revenues are reported on the balance sheet of the governmental funds combined balance sheet. Deferred revenues arise 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 BOCES before it has a legal claim to them, as when grants are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when BOCES has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.

Fund Balance-Reservations and Designations

Reservations of fund balances are created to either satisfy legal restrictions or to plan for future expenditures. A designation of unreserved fund balances in governmental funds indicates the use of these resources in the subsequent year's budget. The following is a description of the reserves utilized by BOCES.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

Encumbrance Reserve

The balance of the account represents the amount of outstanding encumbrances at the end of the fiscal year.

Reserve for Employee Benefits

The balance of the account represents funds set aside for the payment of accrued benefit liabilities for employees.

Reserve for Insurance Claims

BOCES is insured through a self insurance plan for workers' compensation. Additionally, BOCES has provided for a reserve for unemployment insurance 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 reserves are funded annually through budgetary provisions in the General Fund and, in the opinion of management, are adequate to fund the eventual loss on claims arising prior to year end.

In 2009 the New York State Comptroller's office performed an audit of BOCES reserves. The Comptroller's office preliminarily indicated that BOCES does not have the authority to establish a workers' compensation reserve for its self-insurance program. BOCES is in the process of ascertaining the incurred but not reported liability at June 30, 2009, and intends to utilize this reserve to offset the increased liabilities that may exist for their self-insured workers' compensation program. Management of BOCES does not believe the impact of recording an estimated liability for the incurred but not reported claims will have a material impact on these financial statements as the reserve has been established for this contingency.

Litigation Reserve

The litigation reserve was established in 2009 to set aside funds for a dispute with Verizon, details of which are provided for in Note 11, Contingencies and Commitments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a. Section 1950 §4(b) of the Education Law requires adoption of a final budget by no later than May 15, for the ensuing year.
- b. BOCES administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of BOCES board for the general fund.
- c. Appropriations for educational services are adopted at the program level and lapse at the end of each fiscal year.
- d. A tentative administrative budget is provided to the component District's 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.

2. Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

BOCES' Board can approve budget revisions based upon a request for additional services and surplus revenues.

2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Interfund Transfers

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

2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY (CONTINUED)

Post Retirement Benefits

In addition to providing pension benefits described in Note 9, BOCES provides post employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between BOCES and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for BOCES. Approximately 295 retirees meet those eligibility requirements. BOCES pays 100% of the cost of premiums for individual retirees and an additional fifty percent for their dependents to an insurance company which provides health care insurance. BOCES recognizes the cost of providing benefits for the year ended June 30, 2009 by recording its share of insurance premiums of approximately \$2,071,000 as an expenditure. See Note 10 for additional information on the implementation of GASB Statement 45 for the year ended June 30, 2009.

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 amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported could differ from the estimates.

3. CASH AND INVESTMENTS

BOCES' investment policies are governed by State statutes. In addition, BOCES has its own written investment policy. BOCES' monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by Federal Deposit 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.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities must have a market value of at least 102 percent of the cost of the repurchase agreement.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2009

3. CASH AND INVESTMENTS (CONTINUED)

Available deposits at year-end were entirely covered by Federal Deposit Insurance or by collateral held by a bank in BOCES' name. The following is a summary of the amounts collateralized at June 30, 2009:

Uncollected Balances Fully Guaranteed	\$ 4,483,232
Amounts Insured by FDIC	250,000
Collateral Held by a Bank in BOCES' Name	<u>19,430,551</u>
Total	24,163,783
Bank Balances	<u>23,777,890</u>
Excess Collateral	<u>\$ 385,893</u>

4. RESTRICTED CASH

Restricted cash consists of the following:

General Fund:

Reserve for Unemployment	\$ 489,914
Reserve for Workers' Compensation	988,911
Reserve for Employee Benefits	3,971,854
Reserve for Equipment	302,869
Reserve for Liability Claims	<u>1,019,813</u>
	<u>\$ 6,773,361</u>

Special Aid Fund:

Reserve for Federally Funded Projects	<u>\$ 6,835</u>
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Capital Projects:

Reserve for Completion of Projects	<u>\$ 730,000</u>
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Private Purpose Trust:

Restricted for Scholarships	<u>\$ 20,925</u>
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Agency Funds:

Restricted for Escrow/Agent Obligations	<u>\$ 2,136,747</u>
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5. INTERFUND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2009, are as follows:

	Amount <u>Receivable</u>	Amount <u>Payable</u>
General Fund	\$ 4,036,635	\$ 23
Special Aid Fund	-	2,641,765
Capital Fund	-	2,296
Fiduciary Funds	<u>23</u>	<u>1,392,574</u>
	<u>\$ 4,036,658</u>	<u>\$ 4,036,658</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2009

6. OTHER RECEIVABLES

Other receivables in the General and Special Aid Funds at June 30, 2009 consist of the following, which are stated at net realizable value. BOCES' management has deemed the amounts to be fully collectible.

<u>Description</u>	<u>Amount</u>
Revenue and Miscellaneous Billings	<u>\$ 85,029</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land Improvements	\$ 30,684	\$ -	\$ -	\$ 30,684
Work in Progress	713,594	40,220	319,731	434,083
Construction	4,603,125	-	-	4,603,125
Machinery and Equipment	63,026,084	8,376,155	1,789,332	69,612,907
Vehicles	<u>506,741</u>	<u>167,682</u>	<u>47,066</u>	<u>627,357</u>
	<u>68,880,228</u>	<u>8,584,057</u>	<u>2,156,129</u>	<u>75,308,156</u>
Less Accumulated Depreciation:				
Land Improvements	30,684	-	-	30,684
Construction	4,145,581	104,312	-	4,249,893
Machinery and Equipment	46,818,376	6,253,664	1,928,336	51,143,704
Vehicles	<u>391,326</u>	<u>57,674</u>	<u>47,068</u>	<u>401,932</u>
	<u>51,385,967</u>	<u>6,415,650</u>	<u>1,975,404</u>	<u>55,826,213</u>
Net Capital Assets	<u>\$ 17,494,261</u>	<u>\$ 2,168,407</u>	<u>\$ 180,725</u>	<u>\$ 19,481,943</u>

The capital assets reflect the implementation of GASB Statement #34 which requires BOCES to record capital assets in the financial statements, to reflect depreciation on its capital assets and to reflect BOCES' capitalization policy which requires a capitalization threshold of \$500 for financial reporting purposes. Capital assets below this threshold are now recorded as an expense in the year acquired. Work in progress that was completed during the year has been reclassified to the appropriate capital asset category and reflected as a deletion.

Work in progress primarily relates to the construction costs to repair roofs and other building improvements as of June 30, 2009 and the projects are approximately 62% complete.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2009

8. INDEBTEDNESS

I. Short-Term Debt

(A) Revenue Anticipation Notes

For governmental funds, notes issued in anticipation of the receipt of revenues are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The revenue anticipation note represents a liability that will be extinguished by the use of expendable available resources of the fund.

(B) Short-Term Debt Interest

Interest expenditures for short-term debt are recognized when measurable and recorded as an expenditure as the interest accrues.

II. Changes

The changes in BOCES' indebtedness for the year ended June 30, 2009 are summarized as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Revenue anticipation note	\$ 8,500,000	\$ 8,500,000	\$ 8,500,000	\$ 8,500,000
Installment purchase debt	5,086,715	3,344,408	2,792,058	5,639,065
Compensated absences	19,156,327	-	971,533	18,184,794
Post employment benefits	<u>-</u>	<u>11,084,800</u>	<u>-</u>	<u>11,084,800</u>
	<u>\$ 32,743,042</u>	<u>\$ 22,929,208</u>	<u>\$ 12,263,591</u>	<u>\$ 43,408,659</u>

Additions and deletions to compensated absences are shown net, since it is impracticable to determine these amounts separately.

III. Maturity

	<u>Issue Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at</u> <u>June 30, 2009</u>
Revenue Anticipation Note	8/14/08	8/18/09	2.21%	\$ 8,500,000

Installment purchase debt consists of various leases incurred for the purchase of equipment, and are due primarily to banks. The contracts have various remaining maturities, with the last payments due in 2013-2014.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

8. INDEBTEDNESS (CONTINUED)

The future minimum payments, including interest, for the next five years are as follows:

Year Ended June 30:	
2010	\$ 2,800,023
2011	1,786,371
2012	785,462
2013	382,273
2014	<u>149,273</u>
Total Future Payments	5,903,402
Less: Amount Representing Interest	<u>264,337</u>
Net Liability	<u>\$ 5,639,065</u>

9. PENSION PLANS

General Information

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

Plan Descriptions

Teachers' Retirement System. The TRS is administered by the New York State Teachers' Retirement Board. 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. The New York State TRS 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 the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System. The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute, and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2009

9. PENSION PLANS (CONTINUED)

Funding Policies

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976 who contribute 3% of their salary. Effective October 1, 2000, employees with greater than ten years of service are no longer required to contribute. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

BOCES is required to contribute at an actuarially determined rate. The required contributions and applicable rates for the current year and two preceding years were:

	ERS		TRS	
	<u>Amounts</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
2009	\$ 1,815,937	8.40%	\$ 2,490,829	7.63%
2008	\$ 1,650,923	8.82%	\$ 2,553,124	8.73%
2007	\$ 1,639,397	9.22%	\$ 2,513,251	8.60%

BOCES' contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Since 1989, the ERS' 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.

10. POST RETIREMENT BENEFITS

The District provides post employment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The District implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, in the school year ended June 30, 2009. This required the District to calculate and record a net other post employment benefit obligation at year end. The net other post employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund level financial statements as payments are made. For the year ended June 30, 2009, the District recognized \$2,071,000 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of March 1, 2008 which indicates that the total liability for other post employment benefits is \$11,084,800, which is reflected in the Statement of Net Assets.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2009

10. POST RETIREMENT BENEFITS (CONTINUED)

Funding Policy: The contribution requirements of Plan members and the District are established by the Board of Education. Until changes are made in the NYS law to permit funding, there is no legal authority to fund OPEB, other than “pay as you go.”

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

Annual required contribution	\$ 12,940,100
Interest on net OPEB obligation	215,700
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>13,155,800</u>
Contributions made	<u>2,071,000</u>
Increase in net OPEB obligations	11,084,800
Net OPEB obligation - beginning of year	<u>-</u>
 Net OPEB obligation - end of year	 <u><u>\$ 11,084,800</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

<u>Fiscal</u> <u>Year End</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/09	\$ 13,155,800	15.7%	\$ 11,084,800

Funded Status and Funding Progress: As of March 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$130,613,400, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$130,613,400. The covered payroll (annual payroll of active employees covered by the plan) was \$45,579,000, and the ratio of the UAAL to the covered payroll was 287%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

10. POST RETIREMENT BENEFITS (CONTINUED)

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

In the March 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5% investment rate of return and an annual healthcare cost trend rate of 9.5% initially, reduced by decrements to an ultimate rate of 5.0% after 9 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 29 years.

11. CONTINGENCIES AND COMMITMENTS

Other Contingencies

BOCES has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. BOCES believes disallowances, if any, will be immaterial.

Litigation - General

There are several legal actions currently pending in which BOCES is involved. These have been reviewed by BOCES' counsel and are expected to be handled under the terms of BOCES' liability insurance. Any potential cost to BOCES is not expected to be material.

Verizon Dispute

Over the last several years BOCES has disputed certain invoiced amounts and accumulated late charges from Verizon for services that according to BOCES management, should have terminated or were not provided, but were continued to be invoiced by Verizon. BOCES has been proactive in their efforts to resolve these issues directly with Verizon and through Verizon legal counsel. BOCES has properly recorded the disputed amount as a liability in its financial statements as of June 30, 2009 in the amount of approximately \$1.0 million. During 2009, BOCES paid approximately \$2,200 for settlements. The amount still in dispute as of June 30, 2009 is approximately \$1 million and has been placed in a litigation reserve. BOCES anticipates a resolution sometime during 2010.

Installment/Lease - Purchase Contracts

BOCES has entered into several installment/lease - purchase contracts which are recorded in the long-term debt group of accounts. The contracts are generally for three to five years. BOCES may cancel the agreements if they fail to get budgetary approval for future payments.

11. CONTINGENCIES AND COMMITMENTS (CONTINUED)

Building Leases

BOCES occupies several buildings under operating leases which expire at various dates through 2013. Minimum future rental payments under those non-cancelable operating leases as of June 30, 2009, for each of the next four years and in the aggregate, are:

Year Ended June 30:	
2010	\$ 1,022,017
2011	1,022,017
2012	600,132
2013	<u>600,132</u>
Total Minimum Future Rental Payments	<u>\$ 3,244,298</u>

The lease for BOCES' main administrative and operating facility contains a purchase option which may be exercised with component approval.

Reserves

As indicated in Note 1, the New York State Comptroller's office has initiated an audit of BOCES reserves. Although the results of this audit are incomplete, preliminary indications are that BOCES may not have the authority to establish a workers' compensation reserve. Management is of the opinion that the final findings will not have a materially adverse effect on BOCES financial condition as of June 30, 2009.

SUPPLEMENTARY INFORMATION

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
ANALYSIS OF ACCOUNT A431-SCHOOL DISTRICTS AND OTHER BOCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

SUPPLEMENTAL SCHEDULE #1

July 1 - Debit Balance, as Adjusted	\$ <u>10,140,815</u>
Debits:	
Billings to School Districts and Other BOCES	102,429,171
Advance Payment of E-Rate Received	395,596
Adjustments - Debits to School Districts and Other BOCES	250,000
Encumbrances - End of Year	<u>1,212,414</u>
Total Debits	<u>104,287,181</u>
Total	<u>114,427,996</u>
Credits:	
Collections from School Districts and Other BOCES	105,091,161
Adjustments - Credits to School Districts and Other BOCES	220,791
Revenues in Excess of Expenditures	2,192,328
Encumbrances - Beginning of Year	<u>962,347</u>
Total Credits	<u>108,466,627</u>
June 30 - Debit Balance - General Fund	\$ <u><u>5,961,369</u></u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2009

SUPPLEMENTAL SCHEDULE #2

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Amended Budget</u>
REVENUES				
Administration (001-002)	\$ 9,401,087	\$ 9,581,933	\$ 8,704,182	\$ (877,751)
Occupational Instruction (100-199)	12,742,207	12,423,331	12,151,476	(271,855)
Instruction for Handicapped (200-299)	30,851,234	31,703,028	31,763,929	60,901
Itinerant (300-399)	4,612,195	6,924,485	7,560,033	635,548
General Instruction (400-499)	6,826,342	6,793,762	6,721,919	(71,843)
Instructional Support (500-599)	7,005,969	10,619,821	10,445,148	(174,673)
Other	<u>22,363,026</u>	<u>27,793,108</u>	<u>28,126,247</u>	<u>333,139</u>
Total	<u>\$ 93,802,060</u>	<u>\$ 105,839,468</u>	<u>\$ 105,472,934</u>	<u>\$ (366,534)</u>
EXPENDITURES				
Administration (001-002)	\$ 9,401,087	\$ 9,749,815	\$ 8,692,589	\$ 45,681
Occupational Instruction (100-199)	12,742,207	12,091,607	11,708,254	86,123
Instruction for Handicapped (200-299)	30,851,234	32,567,842	31,758,252	3,220
Itinerant (300-399)	4,612,195	8,002,876	7,508,729	-
General Instruction (400-499)	6,826,342	6,859,708	6,425,388	151,917
Instructional Support (500-599)	7,005,969	11,031,603	10,213,888	139,063
Other	<u>22,363,026</u>	<u>29,924,014</u>	<u>26,973,506</u>	<u>786,410</u>
Total	<u>\$ 93,802,060</u>	<u>\$ 110,227,465</u>	<u>\$ 103,280,606</u>	<u>\$ 1,212,414</u>
			<u>Unencumbered Balance</u>	<u>\$ 1,011,545</u>
			<u>Encumbrances</u>	<u>\$ 297,230</u>
				<u>806,370</u>
				<u>494,147</u>
				<u>282,403</u>
				<u>678,652</u>
				<u>2,164,098</u>
				<u>\$ 5,734,445</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 SCHEDULE OF PROJECT EXPENDITURES
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2009

SUPPLEMENTAL SCHEDULE #3

	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures to Date</u>			<u>Unexpended Balance</u>
			<u>Prior Year's</u>	<u>Current Year</u>	<u>Unexpended Balance</u>	
Culinary Hood Renovations	\$ 311,602	\$ 311,602	\$ 157,707	\$ 811	\$ 153,084	
Maywood Cafeteria Reconstruction	313,000	313,000	236,156	20,292	56,552	
Window Replacement	<u>469,000</u>	<u>469,000</u>	-	<u>19,117</u>	<u>449,883</u>	
	<u>\$ 1,093,602</u>	<u>\$ 1,093,602</u>	<u>\$ 393,863</u>	<u>\$ 40,220</u>	<u>\$ 659,519</u>	

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2009

Capital Assets, Net	\$ 19,481,943
Deduct:	
Short-term portion of installment purchase debt	(2,800,023)
Long-term portion of installment purchase debt	<u>(2,839,042)</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 13,842,878</u>

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**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**

To the Board of Cooperative Educational Services
Albany-Schoharie-Schenectady-Saratoga Counties

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties (BOCES) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 or other matters that are required to be reported under Government Auditing Standards.

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 opinion on the financial statements but not for the purpose of expressing an opinion on the 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.

This report is intended for the information of the Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties, management and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 9, 2009

CUSACK & COMPANY
Certified Public Accountants LLC

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JOHN A. CIMINO, CPA, OF COUNSEL

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

To the Board of Cooperative Educational Services
Albany-Schoharie-Schenectady-Saratoga Counties

COMPLIANCE

We have audited the compliance of the Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties (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, 2009. BOCES' major federal programs are identified in the summary of auditor's 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2009.

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 grants 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, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BOCES' internal control over compliance.

INTERNAL CONTROL OVER COMPLIANCE (CONTINUED)

A control *deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties as of and for the year ended June 30, 2009, and have issued our report thereon dated September 9, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. 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.

This report is intended solely for the information of the Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties, management and the U. S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 9, 2009

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Catalog Number</u>	<u>Grant/Contract Number</u>	<u>Funding Source</u>	<u>Expenditures</u>
<u>Passed Through New York State Education Department:</u>				
<u>U.S. Department of Education</u>				
IDEA Part B - Discretionary Medicaid Support Grant	84.027A	0031-08-4007	IDEA Part B - Discretionary	\$ 7,374
IDEA Part B - Discretionary Medicaid Support Grant	84.027A	0031-09-4007	IDEA Part B - Discretionary	161,876
IDEA Discretionary (SETRC)	84.027A	0031-08-9946	VI-B - Discretionary	6,713
IDEA Discretionary (SETRC)	84.027A	0031-09-9946	VI-B - Discretionary	362,205
IDEA Part B - Discretionary	84.027A	0031-08-3001	IDEA Part B	2,581
IDEA Discretionary (TRE)	84.027A	C007923	IDEA Discretionary	(835)
IDEA Discretionary (TRE)	84.027A	C007923	IDEA Discretionary	256,451
Mental Health Education Linkages:				
Technical Assistance Strategy				
IDEA Part B Discretionary	84.027A	0031-08-5702	IDEA Part B - Discretionary	3,948
Technical Assistance Strategy				
IDEA Part B Discretionary	84.027A	0031-09-5702	IDEA Part B - Discretionary	<u>162,652</u>
Total CFDA #84.027A				<u>962,965</u>
Career and Technical Education - Perkins IV	84.048A	8000-07-0085	VATEA Basic Grant	109 *
Career and Technical Education - Perkins IV	84.048A	8000-08-0085	VATEA Basic Grant	12,184 *
Career and Technical Education - Perkins IV	84.048A	8000-09-0085	VATEA Basic Grant	267,186 *
Total CFDA #84.048A				<u>279,479</u>
21 st Century Community Learning Center	84.287	0191-08-0006	Title IVB	2,146
21 st Century Community Learning Center	84.287	0191-09-0006	Title IVB	125,877
Total CFDA #84.186A				<u>128,023</u>
Federal Work Force Adult Education - Title II	84.002A	2338-07-1102	Title II	3,270
Federal Work Force Adult Education - Title II	84.002A	2338-08-1102	Title II	187,121
Federal Work Force Adult Education - Title II	84.002A	2338-08-1127	Title II	2,618
Total CFDA #84.002A				<u>193,009</u>
State Improvement Grant	84.323	1031-08-0300	Special Education	27,626
State Improvement Grant	84.323	1031-09-0300	Special Education	115,239
State Improvement Grant	84.323	1031-08-0300	Special Education	14,554
State Improvement Grant	84.323	1031-09-0300	Special Education	82,603
Total CFDA #84.323				<u>240,022</u>

* Denotes Major Program

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Catalog Number</u>	<u>Grant Number</u>	<u>Funding Source</u>	<u>Expenditures</u>
<u>Passed Through New York State Education Department (Continued):</u>				
<u>U.S. Department of Education (Continued):</u>				
<u>Other Programs:</u>				
Teaching American History Grant Program	84.215X	U215X06001	Teaching American History	506,732 *
Office of Juvenile Justice and Delinquency Prevention 2008 Drug Free Communities Support Program	93.276	2008ND-FX-0092	Drug Free	42,864
Total Expenditures of Federal Awards				<u>\$ 2,353,094</u>

* Denotes Major Program

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents expenditures under federal financial assistance programs administered by the Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. LOANS OUTSTANDING

The Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties has no loan balances outstanding in which BOCES was the lender at June 30, 2009.

3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Board of Cooperative Educational Services, Albany-Schoharie-Schenectady-Saratoga Counties did not provide federal awards to subrecipients.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION I — SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- “Going Concern” explanatory paragraph included in audit report? _____ Yes X No
- Significant deficiency disclosed? _____ Yes X No
- Significant deficiency(ies) reported as a material weakness? _____ Yes X No
- Material noncompliance disclosed? _____ Yes X No

Federal Awards

Internal control over major programs:

- Significant deficiency disclosed for any major programs? _____ Yes X No
- Significant deficiency(ies) reported for any major program as a material weakness? _____ Yes X No
- Any known questioned costs reported? _____ Yes X No

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Clusters</u>
84.048A	Career Technical Education - Perkins IV
84.215X	Teaching American History Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

See pages 59-60 for current year recommendations.

Section III - Federal Award Findings and Questioned Costs

No findings or matters were reported.

Section IV - Resolution of Prior year Audit Findings

See the resolution of prior year findings enclosed on pages 61-62.

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JOHN A. CIMINO, CPA, OF COUNSEL

INDEPENDENT AUDITOR'S REPORT

To the Board of Cooperative Educational Services
Albany-Schoharie-Schenectady-Saratoga Counties

We have audited the accompanying statement of assets and fund balance resulting from cash transactions of the Board of Cooperative Educational Services of Albany-Schoharie-Schenectady-Saratoga Counties (BOCES) Extraclassroom Activity Funds as of June 30, 2009, and the related statement of cash receipts and disbursements for the year then ended. These financial statements are the responsibility of BOCES' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 BOCES' policy is to prepare the extraclassroom activity funds' financial statements on the basis of cash receipts and disbursements; consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenses and the related liabilities are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and fund balance resulting from cash transactions of the BOCES Extraclassroom Activity Funds as of June 30, 2009, and the cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 9, 2009

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF ASSETS AND FUND BALANCE
RESULTING FROM CASH TRANSACTIONS
JUNE 30, 2009

ASSETS

Cash	<u>\$ 22,835</u>
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FUND BALANCE

Fund Balance	<u>\$ 22,835</u>
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BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
EXTRACLASSROOM ACTIVITY FUNDS
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE YEAR ENDED JUNE 30, 2009

<u>Activities</u>	<u>Balances</u> <u>June 30, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balances</u> <u>June 30, 2009</u>
Albany Center:				
Vocational Industrial Clubs of America	\$ 9,673	\$ 11,611	\$ 11,029	\$ 10,255
Future Farmers of America	802	4,647	5,428	21
Senior Student Activity	4,895	-	1,622	3,273
Yearbook	839	4,527	3,596	1,770
Vocational Training	296	23,930	23,056	1,170
Maywood Student Activity	2,758	4,632	6,008	1,382
Fashion	761	500	280	981
Culinary Arts	709	200	-	909
Health Careers	559	486	117	928
Business Club	103	100	192	11
Student Builders	-	1,056	-	1,056
Schoharie Center:				
Vocational Industrial Clubs of America	<u>1,697</u>	<u>5,022</u>	<u>5,640</u>	<u>1,079</u>
Total	<u>\$ 23,092</u>	<u>\$ 56,711</u>	<u>\$ 56,968</u>	<u>\$ 22,835</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
ALBANY-SCHOHARIE-SCHENECTADY-SARATOGA COUNTIES
EXTRAClassroom Activity Funds
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds are used to account for those organizations within the Board of Cooperative Educational Services whose activities are conducted by students and whose financial support is raised other than by taxation, fees or through charges of the Board of Cooperative Educational Services.

Reporting Entity

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Board of Cooperative Educational Services for Albany-Schoharie-Schenectady-Saratoga Counties. Consequently, such transactions are included in the Trust and Agency Fund of the general purpose financial statements.

Basis of Accounting

The books and records of the Board of Cooperative Educational Services for Albany-Schoharie-Schenectady-Saratoga Counties' Extraclassroom Activity Funds are maintained on the cash basis of accounting in accordance with New York State guidelines. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.