

## AGENDA

**NASSAU COUNTY INTERIM FINANCE AUTHORITY  
AUDIT AND INTERNAL CONTROLS COMMITTEE MEETING  
MONDAY SEPTEMBER 24, 2012 5:00 PM  
MARRIOTT LONG ISLAND HOTEL & CONFERENCE CENTER  
101 JAMES DOOLITTLE BLVD., UNIONDALE, NY 11553**

### **Call to Order**

#### Action Items

- I. Approval of Minutes of May 17, 2012 Meeting
- II. Eight Month's Budget Versus Actual Results (August 30, 2012)
- III. Review and Approve NIFA's Proposed 2013 Budget and FY 2013-2016 Multi-Year Plan

#### Adjournment

DRAFT – SUBJECT TO REVIEW AND REVISION

NASSAU COUNTY INTERIM FINANCE AUTHORITY  
MINUTES OF THE MEETING OF THE  
AUDIT AND INTERNAL CONTROLS COMMITTEE  
HELD ON MAY 17, 2012

Pursuant to a notice dated May 14, 2012, the Audit and Internal Controls Committee (“Committee”) of the Nassau County Interim Finance Authority (“NIFA”) was convened at 4:00 PM, at the Marriott Long Island Hotel & Conference Center located at 101 James Doolittle Blvd, Uniondale, NY 11553.

The following members of the Audit and Internal Controls Committee of the Authority were present:

Christopher Wright, Chairman  
George Marlin  
Ronald Stack  
Robert Wild

Also present were Leonard Steinman, NIFA Director; Dermond Thomas, NIFA Director; Evan Cohen, Executive Director; Maria Kwiatkowski, Deputy Director; Jeremy Wise, General Counsel; Jane Cunneen, Acting Treasurer; and Laurie Boucher, Corporate Secretary.

Upon determining that a quorum was present, the meeting was called to order.

Chairman Christopher Wright stated that the first item on the agenda was a resolution to approve the minutes of the December 8, 2011 meeting.

Upon motion duly made and seconded, the minutes were approved unanimously.

Resolution No. 12-24

**APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE DECEMBER 8, 2011 AUDIT AND INTERNAL CONTROLS COMMITTEE MEETING OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY**

---

RESOLVED, that the Minutes of the Audit and Internal Controls Committee meeting held on December 8, 2011 are hereby approved and all actions taken by the Directors present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

\* \* \*

Chairman Wright asked Executive Director Cohen to give a summary on the next item on the agenda which was a resolution to review and approve the audited financial statements.

Executive Director Cohen stated that the NIFA annual financial audit was performed by independent auditors, Deloitte and Touche. He stated that Deloitte has completed its report and a copy of the report was distributed to Committee members.

Mr. Molloy from Deloitte and Touche presented the required communications regarding the 2011 Audited Financial Statements and explained to the Committee that there were no changes to significant accounting policies, disagreements with management, consultation with other accountants, or major issues or difficulties encountered during the audit. The Committee voted to submit the audit report to the full Board for their action.

Upon motion duly made and seconded, the following resolution was approved unanimously:

Resolution No. 12-25

RECEIPT AND ACCEPTANCE OF THE INDEPENDENT AUDITORS' REPORT ON THE AUTHORITY'S FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2011 AND RECOMMENDATION THAT THE REPORT BE SENT TO THE DIRECTORS OF NIFA

---

RESOLVED, that the materials presented to this meeting (the "Materials") are ordered to be filed with the records of the Audit and Internal Controls Committee of the Nassau County Interim Finance Authority (the "Committee"); and be it further

RESOLVED, that the Committee acknowledges receipt of the Deloitte & Touche LLP Independent Auditors' Report on NIFA's Financial Statements for the Year Ended December 31, 2011 (the "Audit") presented at the May 17, 2012 meeting of the Committee; and be it further

RESOLVED that the Committee accepts the Audit and approves the release of the Audit to the entire Board of the Nassau County Interim Finance Authority for their review and approval.

RESOLVED, that this resolution shall take effect immediately.

\* \* \*

Executive Director Cohen stated that the next item on the agenda was a resolution to approve the annual report.

Upon motion duly made and seconded, the following resolution was approved unanimously:

Resolution No. 12-26

RECEIPT AND ACCEPTANCE OF THE ANNUAL AND STATUTORY REPORTS FOR FISCAL YEAR ENDED DECEMBER 31, 2011 AND RECOMMENDATION THAT THEY BE SENT TO THE DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

---

RESOLVED, that the materials presented to this meeting (the “Materials”) are ordered to be filed with the records of the Audit and Internal Controls Committee of the Nassau County Interim Finance Authority (the “Committee”); and be it further

RESOLVED, that in accordance with the Materials, the 2011 Annual Report of the Authority is hereby approved together with all the attachments thereto including but not limited to:

1. Authority Report on Debt Issuance
2. Audited Financial Statements for the Year Ended December 31, 2011 together with Independent Auditor’s Compliance Report on Investment Policies and Procedures;
3. Authority Report on Investments;
4. Authority Prompt Payment Report;
5. Authority Procurement Contracts Guidelines Report;
6. Authority Property Disposition Report
7. Authority Mission Statement and Measurement Report; and
8. Authority Code of Ethics.

and be it further

RESOLVED that the Committee recommends that the Annual and statutory reports be released to the Directors of the Nassau County Interim Finance Authority for their review and approval.

RESOLVED, that this resolution shall take effect immediately.

\* \* \*

Executive Director Cohen stated that the next item on the agenda was a resolution to approve the investment guidelines. He stated that there were no changes to the investment guidelines which are required to be adopted annually.

Upon motion duly made and seconded, the following resolution was approved

unanimously:

Resolution No. 12-27

RECEIPT AND ACCEPTANCE OF THE INVESTMENT GUIDELINES AND  
RECOMMENDATION THAT THE INVESTMENT GUIDELINES BE SENT TO THE  
DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY.

---

RESOLVED, that the materials presented to this meeting (the “Materials”) are ordered to be filed with the records of the Audit and Internal Controls Committee of the Nassau County Interim Finance Authority (the “Committee”); and be it further

RESOLVED, that in accordance with the Materials, the Investment Guidelines are hereby approved; and be it further

RESOLVED that the Committee recommends that the Investment Guidelines be released to the Directors of the Nassau County Interim Finance Authority for their review and approval.

RESOLVED, that this resolution shall take effect immediately.

\* \* \*

Chairman Wright stated that the next item on the agenda was a schedule which illustrates NIFA’s revenues and expenses on a cash basis through April 30, 2012. He stated that no action was necessary since this is just for purposes of discussion.

The Chairman then entertained a motion to adjourn. Upon motion duly made and seconded, the members voted unanimously to adjourn the meeting at 4:15 PM.

Respectfully submitted,

Laurie A. Boucher  
Corporate Secretary

**Nassau County Interim Finance Authority**  
**Operating Revenues and Expenses Year to Date vs Annual Budget**  
**at August 31, 2012**

Cash Basis, Unaudited

|   | <b>Adopted Annual<br/>Budget</b> | <b>2012 YTD</b>     | <b>Remaining<br/>Budget</b> |
|---|----------------------------------|---------------------|-----------------------------|
| <b>Beginning Cash Balance January 1, 2012</b> |                                  | <b>\$ 320,276</b>   |                             |
| <b>Revenues</b>                               |                                  |                     |                             |
| Sales Tax Receipts                            |                                  | 651,590,343         |                             |
| Less Sales Tax Transferred to County          |                                  | 509,141,137         |                             |
| Less Debt Service Deposits                    |                                  | 141,149,206         |                             |
| Sales Tax Retained by NIFA                    |                                  | <u>1,300,000</u>    | <b>1,300,000</b>            |
| Interest Income                               |                                  |                     |                             |
| Bond & Debt Service Accounts                  |                                  | 5,185               |                             |
| Less Bond Interest Transferred to County      |                                  | (5,154)             |                             |
| Bond Interest Retained for Debt Service       |                                  | -                   |                             |
| Operating Account Interest                    | 1,000                            | 25                  | <b>(975)</b>                |
| NYS Archives Grant                            |                                  | -                   |                             |
| <b>Total Revenues</b>                         | <b>\$ 1,000</b>                  | <b>\$ 1,300,025</b> | <b>\$ 1,299,025</b>         |
| <b>Expenses</b>                               |                                  |                     |                             |
| NIFA Operating Expenses                       |                                  |                     |                             |
| Salaries and Benefits                         | 1,246,114                        | 615,391             | <b>630,723</b>              |
| Furniture & Equipment                         | 4,000                            | 666                 | <b>3,334</b>                |
| Rent  | 132,249                          | 75,256              | <b>56,993</b>               |
| Telephone & Communications                    | 9,946                            | 5,404               | <b>4,542</b>                |
| Professional Fees                             | 87,183                           | 65,943              | <b>21,240</b>               |
| Insurance                                     | 5,040                            | 4,231               | <b>809</b>                  |
| Other   | 40,468                           | 12,492              | <b>27,976</b>               |
| <b>Total Operating Expenses</b>               | <b>\$ 1,525,000</b>              | <b>\$ 779,382</b>   | <b>\$ 745,618</b>           |
| Control Period Expenses                       |                                  |                     |                             |
| Skadden Arps                                  | 500,000                          | 206,674             | <b>293,326</b>              |
| Grant Thornton                                | -                                | 62,499              | <b>(62,499)</b>             |
| Labor Consultant                              | -                                | -                   | -                           |
| Meeting                                       | -                                | -                   | -                           |
| <b>Total Control Period Expenses</b>          | <b>500,000</b>                   | <b>269,173</b>      | <b>230,827</b>              |
| <b>Total Expenses</b>                         | <b>\$ 2,025,000</b>              | <b>\$ 1,048,556</b> | <b>\$ 976,444</b>           |
| <b>Contingency for Change in NIFA Status</b>  | <b>-</b>                         | <b>-</b>            | <b>-</b>                    |
| <b>Revenues Over (Under) Expenses</b>         | <b>\$ (1,524,000)</b>            | <b>\$ 251,469</b>   | <b>1,775,469</b>            |
| <b>Ending Cash Balance (YTD)</b>              |                                  | <b>\$ 571,745</b>   |                             |

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
Audit and Internal Controls Committee

**FOR CONSIDERATION**

September 24, 2012

TO: Christopher Wright, George Marlin and Ronald Stack

FROM: Evan Cohen

SUBJECT: NIFA Budget and Multi-Year Plan

REQUEST FOR: Approve Submission of NIFA's 2013 Budget and FY 2013 – FY 2016 Financial Plan to the Office State Comptroller and the Authorities Budget Office to Comply with 2 NYCRR, Part 203

---

**Background:**

Pursuant to the New York State Constitution and the Public Authorities Law, the State Comptroller adopted Regulation 2 NYCRR Part 203 “Budget and Financial Plan Format, Supporting Documentation and Monitoring – Public Authorities” (the “Regulations”). The Nassau County Interim Finance Authority (“NIFA”) has been deemed by the Comptroller to be subject to the requirements of said Regulations.

**Discussion:**

As required by the Regulations, NIFA has prepared a Proposed Budget for FY 2013 (“Budget”) and a Proposed Financial Plan for FY 2013 – FY 2016 (“Plan”). These documents are being submitted for review by the Audit and Internal Controls Committee. They will be made available for public inspection and also posted on NIFA’s website (“Disclosed”), as required by the Regulations.

**Requested Action:**

It is requested that the Committee recommend to the Directors approval of the Budget and Plan so that they may be Disclosed and subsequently, if no negative comments from the public are received, officially filed with the State Comptroller and any other necessary parties.

**Attachments:**

Resolution

Proposed Budget and Multi-Year Financial Plan for FY 2013 – FY 2016



**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
Audit and Internal Controls Committee

RESOLUTION NO. 12-

APPROVE SUBMISSION OF NIFA'S 2013 BUDGET AND FY 2013 – FY 2016 FINANCIAL PLAN TO THE OFFICE STATE COMPTROLLER AND THE AUTHORITIES BUDGET OFFICE TO COMPLY WITH 2 NYCRR, PART 203 AND THE TAKING OF RELATED ACTIONS

---

RESOLVED, that the materials presented to this meeting (the “Materials”) are ordered to be filed with the records of the Audit and Internal Controls Committee (“Committee”) of the Nassau County Interim Finance Authority; and be it further

RESOLVED, that the Committee acknowledges enactment of 2 NYCRR, Part 203 (the “Regulations”) and its requirement that the Directors of the Nassau County Interim Finance Authority receive, review and approve a proposed Budget for FY 2013 (“Budget”) and a proposed Financial Plan for FY 2013 – FY 2016 (“Plan”); and be it further

RESOLVED, that the Committee hereby conditionally approves the Budget and Plan subject to the conditions outlined in the Materials; and be it further

RESOLVED, that the Committee recommends to the Directors that they approve the Budget and Plan so that they may be disclosed and subsequently, if no negative comments from the public are received, officially filed with the State Comptroller and any other necessary parties.

---

Christopher Wright  
Chairperson

September 24, 2012

| <b>BUDGET AND FINANCIAL PLAN SUMMARY FILE</b>                               |                                    |  |  |                          |                          |                          |
|---|------------------------------------|--|--|--------------------------|--------------------------|--------------------------|
| <b>BUDGETED REVENUES, EXPENDITURES, AND CHANGES IN CURRENT NET ASSETS</b>   |                                    |  |  |                          |                          |                          |
|   | <b>Last Year (Actual)<br/>2011</b> | <b>Current Year<br/>(Estimated) 2012</b> | <b>Next Year<br/>(Proposed)<br/>2013</b> | <b>Proposed<br/>2014</b> | <b>Proposed<br/>2015</b> | <b>Proposed<br/>2016</b> |
| <b><u>REVENUE &amp; FINANCING SOURCES</u></b>                               |                                    |  |  |                          |                          |                          |
| <b>Operating Revenues</b>   |                                    |  |  |                          |                          |                          |
| Charges for services  |                                    |  |  |                          |                          |                          |
| Rental & financing income   |                                    |  |  |                          |                          |                          |
| Other operating revenues  |                                    |  |  |                          |                          |                          |
| <b>Nonoperating Revenues</b>  |                                    |  |  |                          |                          |                          |
| Investment earnings   |                                    | 500                                      | 1,000                                    | 1,000                    | 1,000                    | 1,000                    |
| State subsidies/grants  |                                    |  |  |                          |                          |                          |
| Federal subsidies/grants  |                                    |  |  |                          |                          |                          |
| Municipal subsidies/grants  |                                    |  |  |                          |                          |                          |
| Public authority subsidies  |                                    |  |  |                          |                          |                          |
| Other nonoperating revenues   | 967,088,329                        | 993,000,248                              | 1,021,797,255                            | 1,051,429,376            | 1,081,920,827            | 1,113,297,000            |
| <b>Proceeds from the issuance of debt</b>                                   |                                    |  |  |                          |                          |                          |
|   |                                    |  |  |                          |                          |                          |
| <b>Total Revenues &amp; Financing Sources</b>                               | <b>967,088,329</b>                 | <b>993,000,748</b>                       | <b>1,021,798,255</b>                     | <b>1,051,430,376</b>     | <b>1,081,921,827</b>     | <b>1,113,298,000</b>     |
| <b><u>EXPENDITURES</u></b>  |                                    |  |  |                          |                          |                          |
| <b>Operating Expenditures</b>   |                                    |  |  |                          |                          |                          |
| Salaries and wages  | 714,600                            | 706,763                                  | 909,387                                  | 939,763                  | 971,353                  | 1,004,207                |
| Other employee benefits   | 231,900                            | 296,365                                  | 374,393                                  | 407,371                  | 430,475                  | 455,412                  |
| Professional services contracts   | 75,084                             | 81,435                                   | 91,542                                   | 96,119                   | 100,925                  | 105,971                  |
| Supplies and materials  | 15,946                             | 5,588                                    | 7,225                                    | 7,586                    | 7,966                    | 8,364                    |
| Other operating expenditures  | 163,972                            | 160,736                                  | 193,861                                  | 206,354                  | 224,321                  | 219,788                  |
| <b>Nonoperating Expenditures</b>  |                                    |  |  |                          |                          |                          |
| Payment of principal on bonds and financing arrangements                    | 119,745,000                        | 144,580,000                              | 150,965,000                              | 156,850,000              | 142,570,000              | 136,155,000              |
| Interest and other financing charges  | 77,568,000                         | 63,843,746                               | 57,063,713                               | 50,292,871               | 43,647,501               | 37,233,445               |
| Subsidies to other public authorities                                       |                                    |  |  |                          |                          |                          |
| Capital asset outlay  |                                    |  |  |                          |                          |                          |
| Grants and donations  |                                    |  |  |                          |                          |                          |
| Other nonoperating expenditures   | 766,829,843                        | 783,709,706                              | 812,393,134                              | 842,630,312              | 893,969,286              | 938,115,813              |
|   |                                    |  |  |                          |                          |                          |
| <b>Total Expenditures</b>   | <b>965,344,345</b>                 | <b>993,384,339</b>                       | <b>1,021,998,255</b>                     | <b>1,051,430,376</b>     | <b>1,081,921,827</b>     | <b>1,113,298,000</b>     |
| <b><u>CAPITAL CONTRIBUTIONS</u></b>   |                                    |  |  |                          |                          |                          |
|   |                                    |  |  |                          |                          |                          |
| Excess (deficiency) of revenues and capital contributions over expenditures | 1,743,984                          | -  | -  | -                        | -                        | -                        |

## **NIFA Budget and Financial Plan**

**2013-2016**

As of September 24, 2012

1. **Accounting method:** The budget has been prepared in accordance with GAAP using the modified accrual basis of accounting.
2. **Assumptions and estimates used:** The two largest items in the budget are; 1) sales tax revenue, taken from the Nassau County budget projection; and 2) debt service, taken from the schedule of senior debt service provided in the NIFA Sales Tax Secured Bonds, Series 2009A Bond Offering Circular.
3. **Estimates of revenues:** The main source of NIFA revenue is Nassau County sales tax. This projection has been taken from Nassau County's Multi-Year Financial Plan Update for Fiscal Years 2012-2015.
4. **Estimates of personal service expenses:** The plan assumes that NIFA staffing levels will remain constant in accordance with guidance from the NIFA Employment and Compensation Committee. The budget assumes no cost of living adjustment for salaries and a 10% increase in health insurance premiums in 2013. NIFA participates in the NYS pension plan and NYSHIP health insurance program. Pension costs were projected based on guidance from the State Comptroller at 18.6% of salaries for FY 2013 and 20% for the 2014-2016. Salaries and fringe benefits were adjusted by 4% and 10%, respectively, in each year for 2014-2016.
5. **Estimates of non-personal service expenses:** Costs for office space, telephone, professional fees, and supplies were adjusted by a 5% inflation factor for each successive year of the plan.
6. **Estimates of projected debt service expenditures:** Projections for NIFA debt was taken from the schedule of senior debt service provided in the NIFA Sales Tax Secured Bonds, Series 2009A Bond Offering Circular. Interest on variable rate bonds was calculated assuming that payments are equal to the receipts from the associated swaps.
7. **Cash budget and financial plan:** NIFA's budgetary expenditures are closely aligned with the timing of its cash flow. There are no material timing differences other than receipt of sales tax and GAAP rules for debt service, which is explained below in item 18.
8. **Explanation of relationship with units of government on whose behalf the authority was established:** NIFA was created in 2000 for the purpose of overseeing the fiscal turnaround of Nassau County, issuance and administration of

debt on behalf of the County, issuance of reports on statutory findings based on the County's financial condition, and for the disbursement of State assistance.

9. **Description of budget process and key budget decisions:** The budget is created by the NIFA Acting Treasurer and reviewed by its Executive Director and Audit and Internal Controls Committee. It is then approved by the NIFA Directors prior to the start of each fiscal year. Staffing level decisions are guided by recommendations of the NIFA Employment and Compensation Committee.
10. **Description of budget assumptions including revenue sources, staffing etc:** Revenues of the Authority ("Revenues") consist of sales tax revenues, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County on the sale and use of tangible personal property and services in the County ("Sales Tax Revenues"), and investment earnings on money and investments on deposit in various Authority accounts. Sales Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or County. Revenues of the Authority that are not required to pay debt service, operating expenses and other costs of the Authority are payable to the County as frequently as practicable. Revenue numbers used in the budget have been taken from Nassau County's Multi-Year Financial Plan Update for Fiscal Years 2012-2015.  
  
Staffing has been kept at the level required to perform appropriate oversight of the County and covered organizations including the Nassau County Health Care Corporation, Sewer and Storm Water Authority and Nassau Community College.
11. **Self assessment of budget risks:** NIFA has a perfected interest in the sales tax collections for Nassau County and receives remittances from the NYS Department of Taxation and Finance for the purpose of withholding debt service set-aside monies and expenses, prior to remittance to the County. NIFA's costs are closely monitored by its executive staff and its Directors. As a result, there is little budget risk to NIFA or its bond holders.
12. **Revised forecast of current year budget:** The current year actual results for core operating expenses are on target with the original budget. However, the Board approved additional spending for unanticipated professional fees that have been incurred due to the imposition of a control period on Nassau County.
13. **Reconciliation that identifies all changes in estimates from projections in the previously approved budget:** Professional fees for outside legal and consulting services are projected to be higher than the previously approved budget.
14. **Statement of last year's fiscal actual performance:** The 2011 fiscal performance and 2012 projected results are in conformity with its approved budget.

**15. Projections of number of employees, funding source, and functional classifications:** NIFA currently operates with 5 full-time employees. Positions are funded via a withholding of sales tax proceeds which are received on behalf of Nassau County. These are classified as general operating expenses in the budget and financial statement.

**16. Statement of revenue enhancing or cost reduction initiatives:** NIFA has maintained a lean staffing plan in light of its debt issuance and oversight responsibilities. NIFA has also taken steps to reduce expenditures for rent, telephone and communications, and other expenses.

The Authority oversees a \$2.7 billion County budget and has issued approximately \$4.0 billion of debt, including swap transactions, during the past 10 years. NIFA currently has outstanding approximately \$1.528 billion in bonds, of which \$600 million are in the variable rate mode.

**17. Statement on any non-recurring resource planned for use in any given year:** Not applicable- in the past NIFA issued bonds on behalf of the County based on their requirements, however, NIFA is not planning to issue any new debt as of this writing.

**18. Statement on transactions that shift resources from one year to another:** Under GAAP reporting rules, NIFA accrues two months of sales tax revenue receivable at each calendar year end which will be paid in January and February of the subsequent year by the NYS Department of Taxation and Finance. However, also as per GAAP rules, NIFA accrues 12 months of debt service payments as a current liability. As a result, there is always a negative balance of current assets net of current liabilities, which directly results from this reporting timing difference. It should be noted that NIFA still has all required funds required for its annual May 15 interest payment and annual November 15 principal and interest payments, under this scenario.

**19. Statement on borrowed debt outstanding at year end, planned issuances, assumed interest rates, debt service as a percentage of pledged revenue:** The final maturity of the outstanding bonds is November 15, 2025. NIFA's statute requires it to remain in existence until all of its bonds have been paid or are no longer outstanding. No new debt is authorized in the NIFA Act except to refund existing debt. NIFA's debt program was initiated in FY 2000 and continued successfully in 2011. The outstanding debt of \$1.528 billion is comprised of \$928,440,000 of conventional fixed rate debt, and \$600,000,000 of synthetic fixed rate debt. Total estimated debt service was \$1,908,920,000 as of December 31, 2011. NIFA does not have any notes outstanding.

**20. Statement on capital budget plan:** not applicable

**21. Statement from COO on reasonableness of assumptions and estimates:**

I confirm, to the best of my knowledge and belief, the following representations made to you in this financial plan are fairly presented in conformity with accounting principles generally accepted in the United States of America. To the best of my knowledge and belief, after reasonable inquiry, the plan is based on reasonable assumptions and methods of estimation and that all regulations have been satisfied.

---

Jane F. Cunneen, Acting Treasurer