

**NASSAU COUNTY INTERIM  
FINANCE AUTHORITY**

**2008 ANNUAL REPORT**

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2008 ANNUAL REPORT**

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May 28, 2009

The Honorable David Paterson  
Governor of the State of New York  
State Capitol  
Albany, NY 12224

Dear Governor Paterson:

Attached is the Annual Report of the Nassau County Interim Finance Authority (“NIFA”) for the year ending December 31, 2008.

In June 2000, NIFA was created as part of a five-point plan that offered Nassau County a road map out of its fiscal difficulties. The plan included \$105 million of State assistance, and short-term budgetary relief to allow the County time to make needed structural reforms.

Since our inception, NIFA has worked with the County Executive, Legislature, and Comptroller to develop plans, identify actions, and monitor progress toward achieving long-term structural balance. NIFA has provided the County with monetary assistance of approximately \$500 million. This includes: State aid; debt service savings achieved through NIFA’s issuance of highly rated debt and its use of financial instruments solely available to NIFA; as well as temporary budget relief from debt restructurings.

Since 2000, NIFA has issued bonds in excess of \$3.2 billion on behalf of the County. At the end of 2008, NIFA had approximately \$1.9 billion in bonds outstanding. 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.

The County was able to end Fiscal 2008 with a positive operating result of \$2.1 million; however, the amount of recurring expenditures still exceeds recurring revenues. Indeed, the County Comptroller estimated this structural deficit to be \$122.9 million and the County, as of October 29, 2008, projected gaps of \$108.3 million in FY 2010, \$165.0 million for FY 2011, and \$199.4 million for FY 2012.

The State has assisted the County in reducing the projected gaps through NIFA’s enactment, pension relief and capping of Medicaid costs, but continued vigilance is necessary to maintain fiscal health. The County continues to face major problems including the depletion of reserves, the need for the Nassau Health Care Corporation to achieve long term financial stability, the need to commit large amounts of money from its

operating budget for tax certiorari judgments and settlements, and the need to upgrade the County's physical infrastructure.

The most immediate challenge facing the County is the economic dislocation and recession faced by the nation, the State, and all of our localities and the resultant impact on County revenues, particularly the Sales Tax. We are working with the County on their contingency plans to meet this challenge and will be closely monitoring the situation.

The hard choices that lie ahead will only be solved if all parties work together. The Authority is committed to working with State, County, and other local leaders to ensure decisive and meaningful action to achieve the long-term financial stability that County residents need and deserve.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald A. Stack". The signature is fluid and cursive, with the first name "Ronald" being the most prominent.

Ronald A. Stack  
Chairperson

Encl.

cc:

Senate Majority Leader Smith

NYS Assembly Speaker Silver

New York State Comptroller Thomas DiNapoli

Assemblyman Herman Farrell, Chairman of the Assembly Ways and Means Committee

Assemblyman James Hayes, Ranking Minority Member of the Assembly Ways and  
Means Committee

Senator Carl Kruger, Chairman of the Senate Finance Committee

Senator John A. DeFrancisco, Ranking Minority Member of Senate Finance Committee

Ms. Laura Anglin, Director of the Budget

Mr. Thomas Suozzi, Nassau County Executive

Ms. Diane Yatauro, Nassau County Legislative Presiding Officer

Mr. Peter Schmitt, Nassau County Legislative Minority Leader

Mr. Howard Weitzman, Nassau County Comptroller

Mr. Steve Conkling, Nassau County Treasurer

## **Nassau County Interim Finance Authority**

### **AUTHORITY DIRECTORS AND STAFF AS OF DECEMBER 31, 2008**

#### **Directors**

Ronald A. Stack, Chairperson  
Stanley Kreitman  
Paul J. Leventhal  
Gregory J. Raphael  
Robert G. Smith, Ph.D.  
Christopher P. Wright

#### **Staff**

Evan Cohen, Executive Director  
Jane Cunneen, Acting Treasurer  
Maria Kwiatkowski, Deputy Director  
Laurel Leat, Chief Administrator and Corporate Secretary  
Jeremy Wise, General Counsel

## **NIFA MISSION STATEMENT**

*Created by the State of New York as a public benefit corporation, it is the mission of NIFA to provide fiscal oversight of Nassau County in a manner that discourages certain practices which have occurred in the past and provides direction and assistance in budgetary and financial matters to restore the County to fiscal health while retaining the County's right to operate independently as a municipal corporation of the State of New York.*

## **INTRODUCTION**

In response to persistent fiscal distress in Nassau County, a five-point recovery plan was prepared for the County in early 2000. The plan included:

- Creation of the Nassau County Interim Finance Authority (“NIFA”) as an oversight agency and highly rated borrowing mechanism to reduce the County’s borrowing costs.
- Oversight of the required County four year financial plan to ensure that recurring actions were taken by the County each year to reach structural budget balance.
- Special State Transitional Aid of \$100 million over five years, plus debt restructuring through NIFA, if the County took satisfactory action to close its structural deficit.
- Assistance of \$5 million to support reforms to reduce the County’s estimated \$400 million backlog of property tax claims.
- Imposition of hard control mechanisms if the County failed to meet financial management standards.

The plan formed the basis of State legislation creating NIFA (the “Act”). The NIFA legislation was supported by a home rule message recommended by the Nassau County Executive and approved by a vote of the County Legislature. It was enacted with broad bipartisan support in the New York State Senate and Assembly.

NIFA came into existence on June 23, 2000 and the first meeting of its Directors took place on June 28, 2000. The Act has been amended several times since its original enactment. The main changes have had to do with the amounts and timing of borrowings as well as the extension of the “Interim Finance Period,” as defined in the Act, through and including Fiscal Year 2008.

This Annual Report is made pursuant to Section 2800 of the Public Authorities Law, the NIFA Act, and the Public Authority Accountability Act of 2005. The Report covers the year ended December 31, 2008. It also incorporates other reports required by New York State law.

## **DIRECTORS AND MANAGEMENT**

The Authority is governed by a board of seven directors, each appointed by the Governor, one each upon the recommendation of the Majority Leader of the State Senate, the Speaker of the Assembly and the State Comptroller. Four directors constitute a quorum for meetings of the directors of the Authority. The Governor also designates the chairperson and vice-chairperson from among the directors. There is currently one vacancy.

### *Directors and Officers*

*Ronald A. Stack, Director and Chairperson.*

Ronald A. Stack is a Managing Director in the Public Finance Department of Barclays Capital, with responsibility for the firm's national public sector investment banking effort. He is also the Chair of the Municipal Securities Rulemaking Board (MSRB).

Immediately prior to joining Barclays Capital, Mr. Stack headed Public Finance at Lehman Brothers. Mr. Stack also worked in public finance at Goldman, Sachs & Co. and as a management consultant for Deloitte Touche. He also served as Deputy Secretary to the Governor of New York State. His term of office expires on December 31, 2012.

*Stanley Kreitman, Director.*

Stanley Kreitman is the Chairman of the Board of Manhattan Associates, LLC and a senior advisor to Signature Bank. He was formerly the President of United States Banknote Corporation. He also serves on the boards of several other public corporations and civic organizations. His term of office expired on December 31, 2008 and he currently serves as a holdover.

*Paul J. Leventhal, Director.*

Paul J. Leventhal is the Managing member of the accounting firm of Leventhal and Company, LLP. The firm represents corporate and individual clients in the areas of accounting, taxation, management advisory services, and auditing. His term of office expires on December 31, 2009.

*Gregory J. Raphael, Director.*

Gregory J. Raphael, of Garden City, New York, is a founding partner of the New York City law firm of Ryan & Raphael, P.C. The firm specializes in the areas of corporate and business law with emphasis on representation of entrepreneurial clients and small businesses, and the legal issues that affect them. In addition, the firm represents clients in their estate planning, trust and estate law, real property law, employment law, and tax law needs. His term of office expired on December 31, 2006 and he currently serves as a holdover.

*Robert G. Smith, Ph.D., Director.*

Dr. Robert G. Smith is the founder and chairman of Smith Affiliated Capital Corp., a firm that designs, implements and manages fixed-income strategies for institutions, endowments and foundations, and wealthy individuals and their families. He also is a member of the board of the New York State Health Foundation and the New York State Comptroller's Investment Advisory Committee for State Pension Funds (Common Fund). His term of office expired on December 31, 2006 and he currently serves as a holdover.

*Christopher P. Wright, Director.*

Christopher P. Wright, from Protiviti's New York office, is the firm-wide Managing Director of the Finance Remediation and Reporting Compliance group. The firm is an independent risk consulting firm. Mr. Wright, a CPA, is also the Regional Managing Director for Protiviti's Northeastern United States Region. He has approximately twenty years experience serving clients as an external auditor, including 6 years as a partner at two global accounting firms. His term of office expires on December 31, 2009.

*Evan L. Cohen, Executive Director.*

Evan L. Cohen serves as Executive Director. He has approximately 20 years of financial management experience dealing with governments, including 7 years as Deputy Director of the Nassau County Interim Finance Authority and 10 years as Assistant Deputy Director of the New York State Financial Control Board for the City of New York. Previously, he worked for 5 years at Grumman Corporation. Mr. Cohen earned a BE in Electrical Engineering and an MBA in Finance.

*Jeremy A. Wise, General Counsel and Chief Borrowing Officer.*

Jeremy Wise serves as General Counsel and Chief Borrowing Officer. Mr. Wise has been admitted to the practice of law in New York State since 1978. The majority of his legal career has been spent working in the area of public finance.

## **INITIATIVES AND ACCOMPLISHMENTS IN 2008**

NIFA works hard to continually improve its efforts to support the State of New York and citizens of Nassau County through service delivery that is accountable, transparent, and efficient. As such, we continue to revise and enhance reports, documents and supporting analyses to provide a fresh perspective and address the changing conditions of both the County and the larger economy that impacts the financial stability of its business community and taxpayers.

NIFA also continues to work in cooperation with County staff and leaders to achieve mutually beneficial goals, help create cooperative alliances and generate problem-solving discussions.

Additionally, NIFA staff continues its own professional development by attendance at various training programs and conferences.

The following items describe some of the initiatives undertaken and accomplishments achieved by NIFA during the past year. The following is not intended to be all-encompassing or comprehensive, but provide a synopsis of progress and achievements of NIFA staff.

### **Reports**

The following Reports were issued by NIFA staff and approved unanimously by its Directors:

- *NIFA Review of the Adopted Multi-Year Financial Plan Fiscal 2009-2012* (December 2008).
- *NIFA Review of the Proposed Multi-Year Financial Plan Fiscal 2009-2012* (October 2008).
- *NIFA Mid-year Review and Analysis of the May 1, 2008 Multi-Year Financial Plan Update Fiscal 2008-2011* (June 2008).
- *NIFA 2007 Annual Report* (June 2008).

In addition, NIFA staff is continually updating various methods and approaches it uses to review Nassau County's financial and operational information. These include the:

- *Net Cost* analysis designed to highlight the service cost of each County department by vertical.
- *Overtime Usage and History* report that tracks current overtime spending by primary department usage and also compares this to historical spending for more accurate variance analysis.

## **Training & Professional Development**

Key NIFA staff attended various training seminars and conferences to keep current in relevant governmental disciplines. These included:

- NY State GFOA Annual Conference (April 2008). Staff attended sessions covering such topics as Cash Management, Workers Compensation Reform, E-Government and GASB 45.
- In preparation for the NIFA Records Archival Project, staff attended the New York State Archives workshop “Using State Archives Retention Schedules” (August 13, 2008).

## **Communication & Leadership**

NIFA is constantly aware of the need for cooperative alliances in order to best serve its charge of assisting Nassau County and its citizens to restore fiscal integrity. As such, NIFA provided leadership by initiating the following meetings:

- Nassau County Office of Management and Budget (OMB) briefings (scheduled as needed). Per NIFA’s request, meetings are also attended by staff from the County Comptroller, Office of Legislative Budget Review, and the Legislative Majority and Minority to receive updates from OMB; answers to questions submitted; and, obtain requested information.
- Leadership Meetings (monthly). NIFA acts as the moderator of monthly meetings of County Leaders, which are attended by key County personnel including, but not limited to the County Executive, Majority and Minority Legislative Leaders, and the Comptroller. These meetings give the Leaders a forum to brief each other on critical Nassau County issues.
- Nassau Health Care Corporation (NHCC) Meetings (monthly). Because the financial health of the Nassau Health Care Corporation (“NHCC”) and its potential impact on Nassau County is a major concern for NIFA, staff meets with NHCC leadership to discuss the monthly financial reports and multi-year financial plan of NHCC.
- NIFA Director and Committee Meetings (scheduled as needed). The meetings of the Directors cover all aspects of NIFA business in a public forum. Among the agenda items are matters dealing with the fiscal health of Nassau County, the compliance of NIFA with governmental accountability requirements, and approval of NIFA expenditures.
- Directors Briefings (scheduled as needed). These Briefings are an opportunity for NIFA staff to communicate with various Directors regarding NIFA staff views and analyses of County financial and operating issues and to receive feedback and guidance.

NIFA utilizes the services of the professional webcaster, Webcatter Broadcasting, to broadcast all NIFA public meetings and this has been done throughout fiscal year 2008. The webcast, posted on the NIFA website, enables many more Nassau County citizens

and stakeholders to view NIFA activities, business, and decisions that are conducted on their behalf.

## **NIFA ROLES AND RESPONSIBILITIES**

The primary role of NIFA is to help restore Nassau County to fiscal health, so that the County can continue to provide essential services to its citizens while meeting obligations to holders of County debt. The Authority's powers and responsibilities fall into the principal categories of: financial oversight and monitoring; liaison to and between Nassau County leaders; and debt issuance on behalf of Nassau County.

### **Financial Oversight and Monitoring**

NIFA's mission is to oversee and monitor the finances of Nassau County and, if necessary, establish a "control period" to exercise additional oversight powers. Since its inception, NIFA has continued to have a substantial positive impact on the County's budget, financial planning processes, and operating results. The Directors are unified in the mission of NIFA and have unanimously supported all actions taken by the Board.

#### Financial Highlights

In spite of plummeting sales tax receipts and an overwhelmingly difficult economic climate in Fiscal 2008, NIFA's oversight ensured that Nassau County remained focused on its goal of achieving long-term budgetary balance and financial health. Nassau County ended Fiscal 2008 with a positive operating result totaling \$2.1 million aggregated across its major operating funds, however, the amount of recurring expenditures still exceeded recurring revenues and the County Comptroller estimated that the structural deficit was \$122.9 million. Although there were major revenue shortfalls in 2008, such as in sales tax collections, the County was able to offset them by the use of bond proceeds to pay tax certiorari refunds, the draw-down of reserves and fund balance, and one-time revenues.

#### Monitoring

In May 2008 the County Executive submitted his update of the Multi-Year Financial Plan for the period FY 2008-2012.

On September 15, 2008 the County Executive submitted his proposed Multi-Year Financial Plan for the period FY 2009-2012 (the "Plan"). NIFA reviewed the County Executive's proposed Plan and issued a report in October 2008 identifying the major positive and negative aspects that the Legislature should consider when adopting the Budget and Plan. The "estimated risks" identified in NIFA's October 2008 report are included in the chart which follows under the column labeled "Proposed."

On December 3, 2008, NIFA conditionally accepted the Plan adopted by the County Legislature. While NIFA accepted the Plan and the County did include a more

conservative projection of sales tax, it found that the Plan still contained risks, which are included in the chart which follows under the column labeled “Adopted.” The adopted Plan also continued to rely on non-recurring revenues and reserves; overly optimistic cost-cutting measures; and revenue initiatives that required adoption by State and County Legislatures.

<b>RISKS AND OFFSETS TO THE FY 2009 BUDGET</b>		
<b>(\$ in millions)</b>		
	<b>Proposed</b>	<b>Adopted</b>
Property tax increase	\$34.4	\$-
Sales tax	28.0	12.0
Projected FY 2008 surplus (used for pensions)	23.0	11.0
State actions	19.9	19.9
Public safety overtime	15.0	15.0
Police termination reserve	11.0	-
Labor concessions	6.0	6.0
Additional labor concessions	-	6.0
Workers’ Compensation	4.5	4.5
Consolidation savings	4.5	-
Smart government initiatives (SGIs)	2.5	2.5
Other overtime	-	1.0
<b>Subtotal</b>	<b>\$148.8</b>	<b>\$77.9</b>
Less:		
Contingency reserve	(13.5)	(13.5)
Potential vacancy savings	(10.0)	(10.0)
Miscellaneous budget	-	(1.0)
<b>Total</b>	<b>\$125.3</b>	<b>\$53.4</b>

As a result of NIFA’s concerns with the adopted Plan and a continuing deterioration in the economy, NIFA requested that the County Executive submit a Contingency Plan in mid-January 2009, as well as a revised Plan no later than May 1, 2009.

While the County has made significant progress, much remains to be done. The County continues to face large baseline budget gaps, which it estimates rises from \$108.3 million in FY 2010 to \$165.0 million in FY 2011 and \$199.4 million in FY 2012; therefore, NIFA continues to be vigilant in its oversight of Nassau County’s fiscal stability to ensure that the County takes action to mitigate identified risks and gaps.

**Liaison Responsibilities**

In 2008, NIFA continued monitoring the County’s finances and helped to facilitate dialogue among the County’s elected and appointed leaders. NIFA also continued its monitoring of the Nassau Health Care Corporation which helped to facilitate positive changes and keep the problems of the Corporation as a priority for the County.

NIFA continued to hold monthly meetings of the key elected officials of the County, including the County Executive, Legislative Majority and Minority Leaders, and County

Comptroller. These meetings covered timely issues affecting the County and promoted the exchange of information and problem solving.

Monthly financial monitoring meetings were held with representatives of the County Executive, County Legislature, County Comptroller and NIFA to oversee budget status. NIFA also monitored key financial indicators such as sales tax, staffing, and social service costs in order to allow NIFA to project year-end operating results.

NIFA also met with the Nassau Health Care Corporation monthly to remain up to date on their financial condition and with County representatives concerning the County's progress in streamlining its certiorari process.

### **Debt Issuance By or On Behalf of Nassau County**

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.

NIFA's debt program was initiated in FY 2000 and continued successfully through 2008. Overall, NIFA bonds payable decreased in fiscal year 2008 by \$83,450,000 (4.26 %), due to retirement of prior bond issues. As of December 31, 2008, the Authority had bonds outstanding of \$1,875,075,000, which were comprised of \$964,515,000 of conventional fixed rate debt, \$315,560,000 of unhedged variable rate debt, and \$600,000,000 of synthetic fixed rate debt. Total estimated remaining debt service was \$2,496,952,000. NIFA's debt matures through the year 2025.

**Fixed Rate Bonds** – The Authority has issued fixed rate bonds at rates ranging between 2% and 6%. Interest on the Authority's Fixed Rate Bonds is payable on May 15 and November 15 of each year, and interest on the Variable Rate Bonds is payable on the first business day of each month. Principal on all bonds is payable on November 15. A debt service account has been established under the Indenture to provide for the payment of interest on and principal of bonds outstanding under the Indenture. The Trustee makes monthly deposits to the debt service account in the amount of debt service accrued through the end of that month. For the Fixed Rate Bonds, this is essentially one-sixth of the next interest payment and one-twelfth of the next principal payment. For the Variable Rate Bonds, this is one-twelfth of the next principal payment and the amount needed to maintain a prudent level of funding in excess of the anticipated interest expense to be accrued that month.

Variable Rate Bonds – During the year ended December 31, 2008, NIFA issued \$728,240,000 of adjustable rate bonds, for the primary purpose of redeeming its outstanding auction rate securities and secondarily to smooth out NIFA debt service. The auction rate refundings became necessary because market dislocations in early 2008 created credit and liquidity concerns among investors and difficulties among certain bond insurers. This resulted in the auction rates on the Authority’s outstanding auction rate securities (Series 2004 B-G, Series 2004 I-K, and Series 2005 B-C) resetting at levels significantly higher than anticipated and resultant higher debt service costs to the Authority and decreased residual sales tax revenue transfers to the County.

Interest rates on all of NIFA’s variable rate bonds are currently reset weekly by a remarketing agent at the minimum rate necessary for the bonds to have a market value equal to the principal amount. Interest rates are set separately for each series of variable rate bonds. The variable rate bonds are in most circumstances subject to tender at the option of the bondholder. Payment of the purchase price of eligible 2002A, 2002B and 2008 A – F Bonds which are subject to optional or mandatory tender for purchase and not remarketed by the remarketing agent, will be made under and pursuant to, and subject to the terms, conditions and provisions of a liquidity facility issued by Dexia Credit Local, acting through its New York Agency, with respect to the Series 2002A, 2008C, 2008D and 2008E Bonds; or a liquidity facility issued by BNP Paribas, acting through its New York branch, with respect to the Series 2002B and 2008A Bonds; or a liquidity facility issued by KBC Bank, N.V. acting through its New York Branch, with respect to the 2008B Bonds; or a liquidity facility issued by Bank of America, N.A. with respect to its 2008 F Bonds.

### **Swap Agreements**

Board-Adopted Guidelines – On March 25, 2004, NIFA adopted guidelines (“Interest Rate Swap Policy”) with respect to the use of swap contracts to manage the interest rate exposure of its debt. The Interest Rate Swap Policy establishes specific requirements that must be satisfied for NIFA to enter into a swap contract.

Objectives of Swaps – To protect against the potential of rising interest rates, to achieve a lower net cost of borrowing, to reduce exposure to changing interest rates on a related bond issue or in some cases where Federal tax law prohibits an advance refunding, and to achieve debt service savings through a synthetic fixed rate. In an effort to hedge against rising interest rates, NIFA entered into nine separate pay fixed, receive-variable interest rate Swap Agreements during FY 2004 (the “Swaps”).

Background – NIFA entered into the following six swap contracts with an effective date of April 8, 2004, in connection with the issuance of \$450 million in auction rate securities to provide for the refunding or restructuring of a portion of the County’s outstanding bonds, refunding of certain outstanding NIFA bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments and settlements, County capital projects and to pay costs of issuance. These auction rate securities were

subsequently refunded on May 16, 2008 with variable rate demand bonds and the swap agreements transferred to the 2008 Bond Series A-E.

- \$72.5 million notional amount (2004 Series B – swap agreement) with Goldman Sachs Mitsui Marine Derivative Products, L.P. (“GSMMDP”)
- \$72.5 million notional amount (2004 Series C – swap agreement) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
- \$80 million notional amount (2004 Series D – swap agreement) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
- \$72.5 million notional amount (2004 Series E – swap agreement) with UBS AG
- \$72.5 million notional amount (2004 Series F – swap agreement) with UBS AG
- \$80.0 million notional amount (2004 Series G – swap agreement) with UBS AG

NIFA entered into the following three swap contracts with an effective date of December 9, 2004, in connection with the issuance of \$150 million in Auction Rate Securities to provide for the refunding of a portion of the County’s outstanding bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments, and settlements and to pay costs of issuance. These auction rate securities were subsequently refunded on May 16, 2008 with variable rate demand bonds and the swap agreements transferred to the 2008 Bond Series A-E.

- \$50 million notional amount (2004 Series I – swap agreement) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
- \$50 million notional amount (2004 Series J - swap agreement) with UBS AG
- \$50 million notional amount (2004 Series K – swap agreement) with Morgan Stanley Capital Services (“MSCS”)

	Dollars in Thousands				
	Bond Par Issued	Balance at 1/1/08	Additions	Retired	Balance at 12/31/2008
Sales Tax Secured Bonds, Series 2000A 4.50% to 5.625% serial and term bonds due through 2020	\$ 254,720	\$ 12,845			\$ 12,845
Sales Tax Secured Bonds, Series 2001A 4% to 5.375% serial and term bonds due through 2021	181,480	48,400		\$ 7,840	40,560
Sales Tax Secured Bonds, Series 2002A (variable rate) term bond due 2022 with mandatory sinking fund redemptions due through 2021	112,825	97,210		4,505	92,705
Sales Tax Secured Bonds, Series 2002B (variable rate) term bond due 2022 with mandatory sinking fund redemptions due through 2021	112,825	93,970		4,355	89,615
Sales Tax Secured Bonds, Series 2003A 2% to 6% serial bonds due through 2023	275,990	234,050		10,620	223,430
Sales Tax Secured Refunding Bonds, Series 2003B 2% to 5% serial bonds due through 2018	238,485	188,575		18,260	170,315
Sales Tax Secured Bonds, Series 2004A 2% to 5% serial bonds due through 2013	153,360	121,435		21,905	99,530
Sales Tax Secured Variable Rate Bonds, Series 2004 B-G auction rate securities due 2016 to 2024	450,000	450,000		450,000	-0-
Sales Tax Secured Bonds, Series 2004H 2.15% to 5% serial bonds due through 2017	187,275	176,165		14,140	162,025
Sales Tax Secured Bonds, Series 2004 I-K auction rate securities due through 2025	150,000	150,000		150,000	-0-
Sales Tax Secured Bonds Series 2005A 3.26% to 4.8% serial due through 2024	124,200	124,200			124,200
Sales Tax Secured Variable Rate Bonds Series 2005 B-C auction rate securities due through 2025	122,300	118,650		118,650	-0-
Sales Tax Secured Bonds Series 2005 D 3.23% to 4.32% serial and term bonds due through 2022	143,795	143,025		11,415	131,610
Sales Tax Secured Bonds Variable Rate Bonds Series 2008 A-E auction rate securities due 2014 through 2025	605,055		\$ 605,055		605,055
Sales Tax Secured Bonds Variable Rate Bonds Series 2008 F auction rate securities due through 2025	123,185		123,185		123,185
	<u>\$ 3,235,495</u>	<u>\$ 1,958,525</u>	<u>\$ 728,240</u>	<u>\$ 811,690</u>	<u>\$ 1,875,075</u>

Aggregate debt service to maturity as of December 31, 2008 is as follows:

Year Ending December 31	Dollars in Thousands		
	Principal	Interest*	Total
2009	104,265	81,218	185,483
2010	104,930	76,296	181,226
2011	119,690	71,446	191,136
2012	144,725	65,844	210,569
2013-2017	717,825	226,541	944,366
2018-2022	542,380	90,510	632,890
2023-2025	141,260	10,022	151,282
	<u>\$ 1,875,075</u>	<u>\$ 621,877</u>	<u>\$ 2,496,952</u>

\* Interest on the Variable Rate Bonds is calculated at 5%. During 2008, the interest rate on the Variable Rate Bonds ranged from 0.50% to 8.80%.

Sales tax revenue of \$944,934,000 provided 5.2 times coverage of NIFA's 2008 total monthly set-asides for debt service of \$180,375,000. The Authority used \$1,137,000 for general and administrative operational expenses. Included in these expenses were salaries for certain positions that exceeded \$100,000. These positions were Executive Director, General Counsel, and Deputy Director.

During 2008, Standard & Poor's upgraded NIFA's long term credit rating from AA+ to AAA. NIFA maintained its high credit ratings at year end, as follows:

Rating Agency	NIFA Long Term Debt Rating	NIFA Short Term Debt Rating
Fitch	AA+	F-1+
Moody's Investors Service	Aa2	VMIG-1
Standard & Poor's	AAA	A-1+

The County financings in 2008 were as follows:

Cash Flow:

Revenue Anticipation Notes	\$105 million
Tax Anticipation Notes	\$132 million

Capital:

General Obligation	\$296.81million
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The County, via the Sewer and Storm Water Financing Authority, also issued \$20 million of Bonds.

## **Administrative Matters**

During 2008 the Authority reduced its staff complement to five employees from six employees, three of whom have been with NIFA since 2000. The former Treasurer resigned on March 28, 2008. She was replaced by Jane F. Cunneen who was appointed Acting Treasurer after serving as Deputy Treasurer for approximately 7 years. NIFA continued to implement and improve its monitoring, internal controls and oversight mechanisms. The NIFA website was also maintained and updated.

## **ADDITIONAL INFORMATION**

Section 2800 of the New York State Public Authorities Law (“PAL”) specifies the required contents of State Authority Annual Reports. In addition to the information provided in the foregoing text, which sets forth the Authority’s Operations and Accomplishments, this NIFA Annual Report incorporates the Authority’s Audited Financial Statements for the year ended December 31, 2008 (Tab 2). The Audit sets forth NIFA’s receipts and disbursements, its assets and liabilities, and a schedule of its bonds and notes outstanding at the end of the year. Provision of the Audit also meets the requirements of Section 2802 of the Public Authorities Law.

NIFA has also included with this Annual Report other reports required by various provisions of State law. These reports include:

- Authority Report on Debt Issuance, Tab 1 (NIFA Act, Section 3653)
- Audited Financial Statements for Year Ended December 31, 2008, Tab 2 (NIFA Act, Section 3663)
- Independent Auditor’s Compliance Report on Investment Policies and Procedures, Tab 2 (Required by NIFA Investment Guidelines)
- Revenues and Expenses - See Audited Financial Statements, Tab 2
- Assets and Liabilities - See Audited Financial Statements, Tab 2
- Outstanding Bonds and Notes - See Audited Financial Statements, Tab 2
- Assessment of Internal Controls – See Audited Financial Statements, Tab 2
- Authority Report on Investments, Tab 3 (PAL Section 2925)
- Authority Prompt Payment Report, Tab 4 (PAL Section 2880)
- Authority Procurement Guidelines Report, Tab 5 (PAL Section 2879)
- Compensation Schedule – See page 13
- Real Property Disposition, Tab 6
- Authority Code of Ethics, Tab 7

The Authority Personnel Report required by PAL Section 2806 is submitted under separate cover. The Authority Budget Report required by PAL Section 2801, which is to be submitted annually, not less than 90 days before the commencement of the Authority fiscal year, is submitted separately.

For additional information on the Authority, please contact:

Nassau County Interim Finance Authority  
170 Old Country Road, Suite 205  
Mineola, NY 11501  
(516) 248-2828  
[www.nifa.state.ny.us](http://www.nifa.state.ny.us)

**NASSAU COUNTY INTERIM FINANCE AUTHORITY  
 AUTHORITY REPORT ON DEBT ISSUANCE  
 YEAR ENDED DECEMBER 31, 2008**

Section 3653(7) of the NIFA statute requires that “At least annually, commencing no more than one year after the date on which authority bonds are issued, the authority shall report...on the costs financed by the authority and the amount of such financing for each such cost over the past year.”

In calendar year 2008, the Authority issued \$728,240,000 of long term bonds, including \$605,055,000 of auction rate bonds Series 2008 A-E. The Authority also issued \$123,185,000 of auction rate securities.

Set forth below are the estimated sources and uses of the proceeds of the Series 2008 A-E and Series 2008 F:

**Sources and Uses of Funds**

Set forth below are the estimated sources and uses of the proceeds of the Series 2008A-E Bonds:

**SOURCES OF FUNDS**

Par amount of the Series 2008A-E Bonds .....	\$ 605,055,000.00
Authority Funds .....	<u>640,393.85</u>
Total Sources of Funds .....	\$ 605,695,393.85

**USES OF FUNDS**

Refunding of NIFA Bonds.....	\$ 600,861,883.37
Deposit to the Debt Service Liquidity Account.....	2,808,815.37
Underwriters’ Discount and Other Authority and County Costs of Issuance .....	<u>2,024,695.11</u>
Total Uses of Funds .....	\$ 605,695,393.85

## Sources and Uses of Funds

Set forth below are the estimated sources and uses of the proceeds of the Series 2008F Bonds:

### SOURCES OF FUNDS

Par amount of the Series 2008F Bonds.....	\$ 123,185,000.00
Authority Funds .....	<u>9,071,317.70</u>
Total Sources of Funds .....	\$ 132,256,317.70

### USES OF FUNDS

Refunding of NIFA Bonds.....	\$ 131,838,446.82
Deposit to the Debt Service Liquidity Account.....	24,178.47
Underwriters' Discount and Other Authority and County Costs of Issuance .....	393,692.41
Total Uses of Funds .....	\$ 132,256,317.70

CERTIFICATION FORM

This is to certify that the attached Financial Statements for the Year Ended December 31, 2008 were approved by the Directors on May 28, 2009 and that based on the knowledge of the Chief Executive Officer and the Acting Treasurer, (a) the information provided therein is accurate, correct, complete and does not contain any untrue statement of material fact; (b) does not omit any material fact which, if omitted, would cause the financial statement to be misleading in light of the circumstances under which such statements are made; and (c) fairly presents in all material respects the financial condition and results of operations of the Authority as of, and for, the periods presented in the financial statements.

**Signed copy on file with NIFA**

\_\_\_\_\_  
*Evan L. Cohen, Executive Director*

\_\_\_\_\_  
*May 28, 2009*

*Date*

**Signed copy on file with NIFA**

\_\_\_\_\_  
*Jane F. Cunneen, Acting Treasurer*

\_\_\_\_\_  
*May 28, 2009*

*Date*

*Nassau County Interim  
Finance Authority*

**NIFA**

*Financial Statements for the  
Year Ended December 31, 2008 and  
Independent Auditors' Report*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Nassau County Interim Finance Authority:

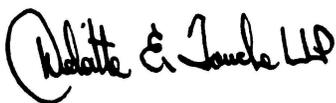
We have audited the accompanying financial statements of the governmental activities and each major fund of the Nassau County Interim Finance Authority (the "Authority"), a component unit of the County of Nassau, as of December 31, 2008, and for the year then ended, which collectively comprise the Authority's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Authority. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Authority, as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages three through five is not a required part of the basic financial statements but is supplementary information required by the *Governmental 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 required 2008 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 our report dated April 22, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



April 22, 2009

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended December 31, 2008

The Nassau County Interim Finance Authority (the "Authority" or "NIFA") is a New York State authority empowered to monitor and oversee the finances of Nassau County, New York (the "County") and within certain statutory limits to issue bonds and notes for various County purposes. The Authority will continue to be in existence until its oversight, control or other responsibilities and its liabilities (including the payment in full of Authority bonds and notes) have been met or discharged, but no later than January 31, 2036. The Authority is a component unit of the County for financial reporting purposes. In its oversight capacity, the Authority is, or has previously been, empowered to, among other things, review County financial plans submitted to it; make recommendations or, if necessary, adverse findings thereon; make transitional State aid available as it determines; comment on proposed borrowings by the County; and impose a "control period" upon making one of several statutory findings concerning the County's financial position. To date, the Authority has not imposed a control period.

In its capacity to issue bonds and notes on behalf of the County, the Authority has funded cash flow, capital and working capital needs of the County since the Authority was created in 2000; however, NIFA did not have the statutory authority, except for refunding of bonds or notes previously issued by the Authority, to issue any additional bonds or notes in 2008. To that end, NIFA is actively pursuing the refunding of approximately \$300 million of its bonds in 2009.

Revenues to fund Authority operations and pay Authority debt service are provided by a portion of the sales tax revenues of the County on which the Authority has a first lien and, to a much smaller extent, by investment earnings. The Authority has no operating income or taxing power.

### **Overview of the Financial Statements**

The annual financial statements of the Authority consist of the following components: management's discussion and analysis (this section), financial statements, and notes to the financial statements.

Management's discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2008. The overview, which covers the most important financial events of the period, should be read in conjunction with the Authority's financial statements, including the notes to the financial statements.

Entity-wide financial statements of the Authority are presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The entity-wide financial statements use the economic resource measurement focus and accrual basis of accounting. These statements are presented to display information about the reporting entity as a whole. The statement of restricted net assets presents information on all the Authority's restricted assets and liabilities, with the difference between the two reported as net assets. The statement of activities presents information showing how the Authority's net assets changed during the fiscal year. All changes in restricted net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. These statements are the *balance sheet* and the *statement of revenues, expenditures, and changes in fund balance*. They recognize revenue when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period.

In addition to these two types of statements, the financial statements include reconciliation between the entity-wide and governmental fund statements. Accompanying notes to the financial statements are an integral part of the financial statements.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended December 31, 2008

**Presentation of Condensed Financial Information**

**Condensed Statement of Net Assets**  
**As of December 31, 2008 and 2007**  
(Dollars in Thousands)

<b>Governmental Activities:</b>	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Current	\$ 148,964	\$ 153,953
Other	39,103	44,925
	<u>188,067</u>	<u>198,878</u>
<b>Liabilities</b>		
Current	128,759	134,064
Non-current	1,942,411	2,035,969
Total Liabilities	<u>2,071,170</u>	<u>2,170,033</u>
<b>Net Deficit</b>		
Restricted	<u>\$ (1,883,103)</u>	<u>\$ (1,971,155)</u>

**Condensed Statement of Activities**  
**For the Years Ended December 31, 2008 and 2007**  
(Dollars in thousands)

<b>Governmental Activities</b>	<b>2008</b>	<b>2007</b>
<b>Revenues</b>		
Sales tax	\$ 944,934	\$ 954,194
Interest income	6,801	9,239
Total Revenues	<u>951,735</u>	<u>963,433</u>
<b>Expenses</b>		
General and administrative	1,117	2,040
Bond Interest expense	96,866	93,661
Distribution to Nassau County	765,700	816,989
Total Expenses	<u>863,683</u>	<u>912,690</u>
<b>Increase in Net Assets</b>	88,052	50,743
<b>Net Deficit, beginning of year</b>	<u>(1,971,155)</u>	<u>(2,021,898)</u>
<b>Net Deficit, end of year</b>	<u>\$ (1,883,103)</u>	<u>\$ (1,971,155)</u>

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended December 31, 2008

**Financial Highlights and Overall Analysis**

The single most critical factor in the Authority's financial position is sales tax revenue, which provided over 99% of the Authority's 2008 revenue. The State legislation that created NIFA in June 2000 granted the Authority a first lien and perfected security interest in net collections from sales and compensating use taxes authorized by the State and imposed by the County, currently at the rate of 4.25%, on the sales and use of personal property and services in the County, but excluding the 0.25% component that is allocable to towns and cities within the County and up to 1/12% allocable to villages within the County. Sales taxes are collected by the State and remitted to the Authority's bond trustee, usually several times each month. After provision for Authority debt service deposits and operating expenses, the remaining funds are remitted immediately to the County.

The amount of sales tax revenues to be collected depends upon various factors including the economic conditions in the County, which has experienced numerous cycles of growth and recession. In addition, specific goods and services can be exempted from the imposition of sales tax, and the rate of taxation can be changed. Of the current 4.25% sales tax rate, 3.00% is a base rate and the remaining 1.25% is subject to periodic renewals. NIFA's sales tax receipts decreased by 0.97% in FY 2008. There can be no assurance that historical data is predictive of future trends. The Authority does not make projections of sales tax revenues.

Overall net assets increased by \$88,052,000 as a result of sales tax revenue earned exceeding operating expenses and amounts required to fund debt service. The excess was remitted to Nassau County. The Authority has an overall net deficit of \$1,883,103,000 resulting from the liabilities relating to bonds payable, that will be paid in future periods as sales tax is received. The deficit is expected to be reduced as the bonds are satisfied.

Sales tax revenue for the year ended December 31, 2008, was \$944,934,000, a decrease of 0.97% from the prior year due to a decreased level of economic activity. Investment income, net of \$85,000 of unrealized appreciation, and excluding bond premium amortization of \$4,100,000, which accounts for the remaining Authority revenue, totaled \$2,698,000 in 2008, a decrease of 41.28 % from 2007. This decrease is attributable to lower interest rates, and a lower level of fund balances to invest.

Sales tax revenue provided 5.2 times the coverage of the Authority's 2008 total monthly set-asides, as required by the indenture agreement, for debt service of \$180,375,000. This coverage will change as the Authority refunds and/or amortizes its debt or as rates change. All together, the Authority used \$181,512,000 of sales tax revenue for debt service and Authority operations, remitting the balance of \$763,422,000 to Nassau County. A portion of the Authority's total operating expense of \$1,117,000, which includes an incremental \$104,000 OPEB liability accrual required by GASB 45, was also funded with interest earnings resulting from the investments held by the Authority. As with sales tax, interest earnings that are not required for Authority operations or reserves are remitted to the County. During the year ended December 31, 2008, the Authority remitted \$2,278,000 to the County from interest earnings.

During the year ended December 31, 2008, NIFA issued \$728,240,000 of adjustable rate bonds for the primary purpose of redeeming its outstanding auction rate securities. Overall, bonds payable decreased in fiscal year 2008 by \$83,450,000 (4.26 %), due to retirement on prior bond issues. The statement of net assets shows a total net deficit of \$1,883,103,000. The deficit results largely from Authority debt issuance that is backed by future sales tax revenue. The debt is reported as a long-term liability, but the future revenues are not reportable. As of December 31, 2008, the Authority had bonds payable of \$1,875,075,000. Since NIFA has completed its new money borrowing program the amount of bonds outstanding and its net deficit are likely to decrease as bonds continue to be retired. The reconciliation on page eight of these financial statements provides additional detail on the determination of the net deficit amount.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended December 31, 2008

**Financial Highlights and Overall Analysis** (continued)

Throughout the early part of 2008, and as a result of market dislocations created by overwhelming credit and liquidity concerns among investors and difficulties faced by certain bond insurers, the auction rates on the Authority's outstanding auction rate securities (Series 2004 B-G, Series 2004 I-K, and Series 2005 B-C) were resetting at levels significantly higher than anticipated. This resulted in higher debt service costs to the Authority and decreased residual sales tax revenue transfers to the County. At the County's request, the Authority agreed to refund its auction rate securities with the proceeds of variable rate demand obligations in order to reduce debt service costs. The refunding transactions (Series 2008 A-E and Series 2008 F) closed on May 16, 2008 and June 2, 2008, respectively.

**Economic Factors and Currently Known Facts**

As a result of market dislocations that began in the fourth quarter of 2008 created by credit difficulties faced by certain bond insurers and banks that provide liquidity for certain of the Authority's outstanding bonds, the variable rates on certain of the Authority's outstanding variable rate demand obligations have been resetting at levels higher than anticipated. This has resulted in higher debt service costs to the Authority and decreased residual sales tax revenue transfers to the County during 2009. At the County's request, the Authority has agreed to refund its unhedged variable rate bonds (Series 2002 A, Series 2002 B, Series 2008 F, and \$5.055 million of Series 2008 E) in the amount of \$310.56 million with the proceeds of fixed-rate bonds in order to stabilize debt service costs. The refunding transaction (Series 2009 A) closed on April 21, 2009.

**Contacting the Authority's Financial Management**

This financial report is designed to provide, taxpayers, investors, and creditors with a general overview of the Authority's finances and to demonstrate its accountability for the money it receives. If you have any questions about this report or need additional information, contact Nassau County Interim Finance Authority, 170 Old Country Road, Suite 205, Mineola, New York 11501 or email us at [nifacomments@nifa.state.ny.us](mailto:nifacomments@nifa.state.ny.us).

**BASIC FINANCIAL STATEMENTS**

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**STATEMENT OF NET ASSETS (DEFICIT)**  
December 31, 2008  
(Dollars in Thousands)

**Governmental Activities:**

**Assets**

Cash and cash equivalents	\$	276
Investments		57,227
Sales tax receivable		91,212
Interest receivable		249
Other assets		35
Other noncurrent assets - net of amortization		39,068
		39,068
<b>Total Assets</b>		<b>188,067</b>

**Liabilities**

Accrued liabilities		60,421
Due to Nassau County - sales tax		68,194
Due to Nassau County - interest		144
Bonds payable:		
Due within one year		104,265
Due in more than one year		1,770,810
Premiums, net		53,015
Other post-employment benefits payable		892
Other liabilities, net of amortization		13,161
Accrued vacation and sick pay		268
		268
<b>Total Liabilities</b>		<b>2,071,170</b>

**Net Assets (Deficit)**

Restricted for debt service		20,256
Unrestricted		(1,903,359)
		(1,903,359)
<b>Total Net Assets (Deficit)</b>	<b>\$</b>	<b>(1,883,103)</b>

See notes to the financial statements.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)**  
Year Ended December 31, 2008  
(Dollars in Thousands)

**Governmental Activities:**

**Expenses**

General and administrative	\$	1,117
Bond interest expense		96,866
Distribution to Nassau County for:		
General operations		<u>2,278</u>
Total Expenses		<u>100,261</u>

**General Revenues**

Sales tax		944,934
Less: distributions to Nassau County		<u>(763,422)</u>
Total Sales Tax and State Aid Revenues Retained		181,512

Interest income, net		<u>6,801</u>
Total General Revenues		<u>188,313</u>

Changes in Net Assets 88,052

**Net Assets (Deficit) - Beginning of Year** (1,971,155)

**Net Assets (Deficit) - End of Year** \$ (1,883,103)

See notes to the financial statements.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2008  
(Dollars in Thousands)

	General	Debt Service	Total (Governmental Funds)
<b>Assets</b>			
Cash and cash equivalents	\$ 264	\$ 12	\$ 276
Investments	510	56,717	57,227
Sales tax receivable	91,212		91,212
Interest receivable		249	249
Due from other funds		23,816	23,816
Other assets	35		35
Total Assets	\$ 92,021	\$ 80,794	\$ 172,815
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accrued liabilities	\$ 27	\$ 60,394	\$ 60,421
Due to Nassau County - sales tax	68,194		68,194
Due to Nassau County - interest		144	144
Due to other funds	23,816		23,816
Total Liabilities	92,037	60,538	152,575
 <b>Fund Balances</b>			
Reserved for:			
Prepaid expenditures and deposits	35		35
Debt Service		20,256	20,256
Unreserved	(51)		(51)
Total fund balance (deficit)	(16)	20,256	20,240
Total Liabilities and Fund Balances	\$ 92,021	\$ 80,794	\$ 172,815

See notes to the financial statements.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET ASSETS (DEFICIT)**  
December 31, 2008  
(Dollars in Thousands)

**Total Fund Balances - Governmental Funds** \$ 20,240

Amounts reported for governmental activities in the Statement of Net Assets (Deficit) are different because:

Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:

Unamortized deferred gain	(13,161)
Bonds payable	(1,875,075)
Unamortized bond premiums	(53,015)
Other post-employment benefits payable	(892)
Accrued vacation and sick pay	(268)

Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

39,068

**Net Deficit of Governmental Activities** \$ (1,883,103)

See notes to the financial statements.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended December 31, 2008  
(Dollars in Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Governmental Funds)</u>
<b>Revenues</b>				
Sales tax	\$ 944,934			\$ 944,934
Interest income, net	10	\$ 2,687		2,697
Total Revenues	<u>944,944</u>	<u>2,687</u>	<u>\$ -0-</u>	<u>947,631</u>
<b>Other Financing Sources</b>				
Operating transfer in	2,146	184,597		186,743
Refunding bonds issued		728,240		728,240
Total Revenues and Other Financing Sources	<u>947,090</u>	<u>915,524</u>	<u>-0-</u>	<u>1,862,614</u>
<b>Expenditures</b>				
Current				
General and administrative	1,137			1,137
Distribution to Nassau County for General operations	2,148	130		2,278
Total Current Expenditures	<u>3,285</u>	<u>130</u>	<u>-0-</u>	<u>3,415</u>
Debt service		185,416		185,416
Total Expenditures	<u>3,285</u>	<u>185,546</u>	<u>-0-</u>	<u>188,831</u>
<b>Other Financing Uses</b>				
Transfer to Nassau County - sales tax	763,422			763,422
Operating transfers out	181,948	2,146	2,649	186,743
Debt Service- current refunding		723,294		723,294
Total Expenditures and Other Financing Uses	<u>948,655</u>	<u>910,986</u>	<u>2,649</u>	<u>1,862,290</u>
<b>Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses</b>				
	(1,565)	4,538	(2,649)	324
<b>Fund Balances - Beginning of year</b>	<u>1,549</u>	<u>15,718</u>	<u>2,649</u>	<u>19,916</u>
<b>Fund Balances (Deficit) - End of Year</b>	<u>\$ (16)</u>	<u>\$ 20,256</u>	<u>\$ -0-</u>	<u>\$ 20,240</u>

See notes to the financial statements.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2008  
(Dollars in Thousands)

**Net Change in Fund Balances - Total Governmental Funds** \$ 324

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

The issuance of long-term debt provides current financial resources to governmental fund, while the repayment of principal of bond debt consumes the current financial resources of governmental funds:

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 88,915

Governmental funds report costs of debt issuance as expenditure. However, in the statement of activities, the cost of debt issuance is amortized over the lives of the debt. 1,558

Governmental funds report premium on debt issued as revenue. However, in the statement of activities, the premium on debt issued is amortized over the lives of the debt. 4,104

Governmental funds report the gain/losses on debt refunding as revenue and expenditures. However, in the statement of activities, the deferred gain is amortized over the lives of the debt. (6,869)

Change in other post-employment obligation (104)

Some expenses (accrued vacation and sick pay) reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. 124

**Change in Net Assets of Governmental Activities** \$ 88,052

See notes to the financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**A. ORGANIZATION**

The Nassau County Interim Finance Authority (the "Authority" or "NIFA") is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation created by the Nassau County Interim Finance Authority Act, Chapter 84 of the Laws of 2000, as supplemented by Chapter 179 of the Laws of 2000 and as may be amended from time to time, including, but not limited to, Chapter 528 of the Laws of 2002, and Chapters 314 and 685 of the Laws of 2003 (the "Act"). The Act became effective June 23, 2000. Although legally separate and independent of Nassau County (the "County"), the Authority is a component unit of the County and for County financial reporting purposes and, accordingly, is included in the County's financial statements. After December 31, 2008, the County is no longer required to submit for approval its multiyear financial plan.

The Authority is governed by seven directors, each appointed by the Governor, including one each appointed upon the recommendation of the Majority Leader of the State Senate, the Speaker of the Assembly, and the State Comptroller. The Governor also designates the chairperson and vice-chairperson from among the directors. At present one Director's position is vacant.

The Authority has power under the Act to monitor and oversee the finances of Nassau County, and upon declaration of a "Control Period" as defined in the Act, additional oversight authority. Although the Act currently provides that the Authority may no longer issue new bonds or notes, other than to retire or otherwise refund Authority debt, the Authority was previously empowered to and did issue its bonds and notes for various County purposes, defined in the Act as "Financeable Costs." No bond of the Authority may mature later than January 31, 2036, or more than 30 years from its date of issuance.

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.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. BASIS OF PRESENTATION**

The Authority's financial statements include both entity-wide (reporting the Authority as a whole) and the fund financial statements (reporting the Authority's major funds).

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**1. BASIS OF PRESENTATION** (continued)

**Entity-wide Financial Statements**

The entity-wide financial statements of the Authority, which include the statement of net assets and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB No. 34. The entity-wide Statement of Activities reports both the gross and net cost of each of the Authority's functional categories (general and administrative, bond interest and distributions to Nassau County), which are otherwise supported by general government revenues (sales tax and interest). The net cost of each of the functional categories is direct expenses, which are those expenses clearly identifiable with a specific purpose. The Statement of Activities reduces gross expenses by related revenues to produce the net cost of each program. The net costs (by function) are normally covered by general revenues (sales tax and interest income).

The entity-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net assets resulting from the current year's activity.

**Fund Financial Statements**

The Authority segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are presented by type in the fund financial statements.

The Authority uses the following governmental funds to report its financial position and the results of operations.

The General Fund which accounts for sales tax revenues received by the Authority and for general operating expenses as well as distributions to Nassau County.

The Debt Service Fund accounts for the accumulation of resources for payment of principal and interest on the Authority's bonds. Only that portion of bonds payable expected to be financed from expendable available resources is reported as a liability of the Debt Service Fund.

The Capital Projects Fund accounts for the financial resources to be transferred to the County for its Financeable Costs.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2. BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

**Measurement Focus**

Measurement focus refers to what is being measured whereas the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting, which recognized all long-term assets and receivables well as long-term debt and obligations. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Eliminations of internal activity have been made in these statements. The Authority's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets, as applicable.

The Authority's governmental fund financial statements, the balance sheet and the statement of revenues, expenditures, and changes in fund balance are presented using the current financial resources measurement focus and the modified accrual basis of accounting. They recognize revenue when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized when the related liability is incurred, except for unmatured debt service on bonds payable, which is recognized when due.

**3. ASSETS, LIABILITIES AND FUND EQUITY/EQUITY**

**Cash and Cash Equivalents and Investments**

The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments include government agency bonds, notes and certificates of deposits with a maturity of longer three months.

**Receivables**

Receivables include amounts due from New York State for sales tax remittances as well as interest earned from financial institutions but not yet received. Sales tax revenues received after December 31 but attributable to the prior year are shown in the balance sheet as sales tax receivable and due to Nassau County and due to debt service fund. In the statement of revenues, expenditures, and changes in fund balance, the full amount of the receivable has been recognized as sales tax revenue and applicable portions of these funds have been included as transfers to Nassau County and debt service expense.

**Other Assets**

Included in other assets are prepaid expenses and advances. Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent year, and the reserve for prepaid expenses and advances in the governmental funds has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**3. ASSETS, LIABILITIES AND FUND EQUITY** (continued)

**Capital Assets**

Capital assets are capitalized only if their value is greater than \$15,000. The Authority has no such assets.

**Long-Term Obligations**

The liabilities for long-term obligations consisting of general obligation bonds, compensated absences, and other post-employment benefits ("OPEB") are reported in the entity-wide financial Statements of Net Assets.

In the fund statements, only that portion of long-term obligations expected to be financed from expendable available financial resources is reported as a fund liability. Debt proceeds are reported as other financing sources and payments of principal and interest reported as expenditures.

The County has assumed responsibility for calculating and paying arbitrage rebate liability on bonds or notes issued by the Authority.

**Bond Premiums, Discounts and Costs of Issuance**

Bond premiums, discounts, issuance costs and gains and losses on early retirement of refunded bonds are capitalized and amortized over the lives of the related debt issues using the straight-line method in the entity-wide financial statements and are included in other noncurrent assets and other liabilities in the entity-wide financial statements.

The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued, together with bond premiums, is reported as other financing sources, while discounts on debt issuances, credit enhancement costs, and costs of issuance are reported as other financing uses.

**Interfund Transactions**

Interfund transactions have been eliminated from the entity-wide financial statements. In the funds statements, interfund transactions consist of operating transfers. Operating transfers are nonexchange transactions where by the fund gives or receives value without directly receiving or giving equal value in return. Operating transfers primarily represent payments to the debt service fund from the general fund to finance the debt service.

**Other Post-Employment Benefits**

In addition to providing pension benefits, the Authority provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Authority's employees may become eligible for these benefits if they reach normal retirement age while working for the Authority.

Health care benefits in accordance with New York State Health Insurance Rules and Regulations (administered by the New York State Department of Civil Service), are provided through the New York State Empire Plan (the "Empire Plan") whose premiums are based on the benefits paid throughout the State during the year or from a choice of HMO.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3. ASSETS LIABILITIES AND FUND EQUITY (continued)**

**Other Post-Employment Benefits (continued)**

In the funds statement, the Authority recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. In the entity-wide statements, the Authority recognizes the cost of providing benefits in accordance with the requirements of GASB Statement No. 45.

**Compensated Absences**

The liability for accumulated vacation or sick leave (compensated absences) is recorded as a liability in the entity-wide statements. In the fund financial statements only the compensated absences liability expected to be payable from expendable current financial resources is reported.

**Equity Classifications**

In general, the Entity-wide statements equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets—Consists of net assets with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Amounts reserved for prepaid expenses and debt service represent portions of fund equity which are required to be segregated in accordance with state law or accounting principles generally accepted in the United States.

**4. REVENUES AND EXPENTURES**

Interest expense is recognized on the accrual basis in the entity-wide financial statements. In the governmental fund statements, interest expenditures are recognized in accordance with indenture requirements.

The Authority receives sales tax revenues several times each month, and receives interest earnings from time to time as investments mature. Funds for debt service are required to be set aside from revenues on a monthly basis, and the Authority also deducts, as necessary, amounts which in its judgment are required for Authority operations and operating reserves. Residual Sales Tax Revenues and investment earnings are then wire transferred to the County.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES** (continued)

**5. USE OF ESTIMATES**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, requires the Authority's management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**6. NEW ACCOUNTING PRINCIPLES**

Effective with this financial report for the year ended December 31, 2008 the Authority has adopted the following Governmental Accounting Standards Board Statements (GASB):

- In July 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. Under the NIFA Legislation, certain oversight responsibilities for Nassau County are scheduled to conclude effective December 31, 2008. Should a decision to downsize staff be implemented, the Authority will have a liability for involuntary termination costs related to this action.
- In May 2007, GASB issued Statement No. 50, *Pension Disclosure — an amendment of GASB Statements No. 25 and No. 27*, which should be implemented beginning with fiscal years ending December 31, 2008. The Authority has determined that there is no impact from Statement No. 50 on its financial position or results of operations resulting from the adoption.

**C. TRANSACTIONS WITH AND ON BEHALF OF NASSAU COUNTY**

The Act and other legal documents of the Authority establish various financial relationships between the Authority and the County. The resulting financial transactions between the Authority and the County include the receipt and use of revenues, as well as Authority debt issuances to fund financeable costs of the County.

The receipt and remittance of revenues in 2008 included:

- Sales tax revenues of \$944,934,091, of which \$763,422,051 was remitted to Nassau County. The balance was retained for Authority debt service and operations.
- The remittance to the County for general County operations, of earnings on various funds held by or on behalf of the Authority, to the extent that those earnings are not required for the payment of Authority debt service or operating expenses. In 2008, the Authority remitted \$2,277,863 of interest earnings.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
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**D. CASH AND INVESTMENTS**

The Authority invests in accordance with the Act, as well as other applicable rules and regulations, the Indenture, and Authority Investment Guidelines originally adopted by the Authority Directors in November 2000. As of December 31, 2008, the Authority held cash, Treasury Bills, Federal Home Loan Mortgage Corporation Discount Notes, Federal Home Loan Bank Discount Notes and Federal National Mortgage Association Discount Notes. All bank deposits of Authority funds are required to be fully collateralized or insured. In the event the Authority requires collateral for the Authority cash and certificates of deposit (in amounts in excess of Federal deposit insurance) is 102% of the amount of the cash or certificate of deposit amount, is held by a third-party custodian in the Authority's account, and consists of U.S. government or agency obligations. Short-term investments with maturities of 90 days or less, and nonmarketable securities, are recorded at cost. Marketable securities with maturities longer than 90 days are recorded at fair value and all investment income, including changes in fair value, is reported as revenue in the Statement of Revenue, Expenditures, and Changes in Fund Balance. Fair value is determined using quoted market values at December 31, 2008. In the Balance Sheet, the accrual of interest on investments is reported as interest receivable, and the unrealized change in fair value of marketable securities with maturities longer than 90 days is reflected in the amount of the investment asset.

Cash and investments held by the Trustee in the amount of \$56,729,341 are restricted for debt service.

The following table summarizes the Authority's cash and investments as of December 31, 2008.

**Summary of Cash and Investments**  
**(in thousands)**

	<b>Dollars in thousands</b>		
	<b>Held by Authority</b>	<b>Held by Trustee</b>	<b>Total</b>
Cash	\$ 164	\$ 12	\$ 176
Certificates of Deposit (maturities less than 90 days)	100		100
Total cash and cash equivalents	264	12	276
Certificates of Deposit (maturities greater than 90 days)	510		510
U.S. government and agency discount notes (maturities greater than 90 days)		56,717	56,717
Total marketable securities	510	56,717	57,227
Total cash investments	\$ 774	\$ 56,729	\$ 57,503

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**D. CASH AND INVESTMENTS** (continued)

**Custodial Credit Risk**

	Investment Maturities (In thousands)		Total
	Held by Authority	Held by Trustee	
	General Fund	Debt Service Fund	
Investment type:			
Cash	\$ 164	\$ 12	\$ 176
Certificates of Deposit	610		610
U.S. government securities		2,193	2,193
U.S. discount notes		54,524	54,524
	\$ 774	\$ 56,729	\$ 57,503
<b>Total</b>	<b>\$ 774</b>	<b>\$ 56,729</b>	<b>\$ 57,503</b>

Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- Uncollateralized, or
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name

At December 31, 2008, the carrying amount of the Authority's cash and investments were covered by FDIC and collateral held by the Authority's agent, a third party financial institution, in the Authority's name. Investments in U.S. government securities and discount rates do not require collateral.

Credit Risk – State law and the Authority's policies limit investments to those authorized by the State statutes. The Authority has a written investment policy.

Interest-Rate Risk – Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of Credit Risk – Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer. The Authority has 100% of its investments in US government securities and notes.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**D. CASH AND INVESTMENTS** (continued)

As of December 31, 2008, the Authority did not have any investments subject to credit risk, interest-rate risk or concentration of credit risk.

All investments are held by NIFA's trustee bank solely as agent of the Nassau County Interim Finance Authority. All investments mature in less than one year.

**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

As of December 31, 2008, the General Fund owes the Debt Service fund \$23,815,703 resulting from withholding of sales tax revenue to cover debt service payments.

A summary of operating transfers is as follows:

	Transfer In	Transfer Out
Debt Service Fund		
General Fund	\$ 181,947,867	\$ 2,146,475
Capital Projects Fund	2,649,175	
General Fund		
Debt Service Fund	2,146,475	181,947,867
Capital Projects Fund		
Debt Service Fund		2,649,175

**F. LONG-TERM DEBT**

A summary of changes in long-term debt for governmental activities is as follows:

(Dollars in Thousands)

	Balance 01/01/2008	Additions	Reductions	Balance 12/31/08	Due within One Year	Non-current
Bonds payable:						
Sales tax secured bonds payable	\$ 1,958,525	\$ 728,240	\$ (811,690)	\$ 1,875,075	\$ 104,265	\$ 1,770,810
Premiums	76,261		(23,246)	53,015	4,100	48,915
Total bonds payable	2,034,786	728,240	(834,936)	1,928,090	108,365	1,819,725
OPEB Liability	788	120	(16)	892	16	876
Compensated absences	392		(124)	268		268
	\$ 2,035,966	\$ 728,360	\$ (835,076)	\$ 1,929,250	\$ 108,381	\$ 1,820,869

Bonds of the Authority are issued pursuant to an Indenture, as supplemented and amended (the "Indenture") between the Authority and the United States Trust Company of New York and its successor The Bank of New York Mellon (the "Trustee"), under which the Authority has pledged its right, title and interest in the revenues of the Authority to secure repayment of Authority debt. The Act provides that the Authority's pledge of its revenues represents a perfected first security interest on behalf of holders of its bonds. The lien of the indenture on the revenues for the security of Authority bonds is prior to all other liens thereon. The Authority does not have any significant assets or sources of funds other than sales tax revenues and amounts on deposit pursuant to the indenture. The Authority does not have independent taxing power.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**F. LONG-TERM DEBT** (continued)

As of December 31, 2008, the Authority had outstanding sales tax secured bonds in the amount of \$1,875,075, 000, maturing through the year 2025 which are comprised of fixed and variable rate bonds issued at variable rates, which are discussed below. Other than a possible refunding of its debt if market conditions permit, the Authority has no plans or authority to issue additional bonds, expect to cover the costs of issuance incurred in connection with the refunding of its bonds.

**Fixed Rate Bonds** — The Authority has outstanding fixed rate bonds at rates ranging between 2% and 6%. Interest on the Authority's fixed rate bonds is payable on May 15 and November 15 of each year, and interest on the variable rate bonds is payable on the first business day of each month. Principal on all bonds is payable on November 15. A debt service account has been established under the indenture to provide for the payment of interest and principal of bonds outstanding under the indenture. The trustee makes monthly deposits to the debt service account in the amount of debt service accrued through the end of that month. For the fixed rate bonds, this is essentially one-sixth of the next interest payment and one-twelfth of the next principal payment. For the variable rate bonds, this is one-twelfth of the next principal payment and the amount needed to maintain a prudent level of funding in excess of the anticipated interest expense to be accrued that month. Because of this monthly deposit requirement, the amount accrued for debt service in the Authority's financial statements in any year will not be the same as the debt service on the bonds paid to bondholders in that year.

**Variable Rate Bonds** — Interest rates on the variable rate bonds are currently reset weekly by a remarketing agent at the minimum rate necessary for the bonds to have a market value equal to the principal amount. Interest rates are set separately for each series of variable rate bonds. The variable rate bonds are in most circumstances subject to tender at the option of the bondholder. Payment of the purchase price of eligible Series 2008 A-F and Series 2002 A-B bonds are subject to optional or mandatory tender for purchase and if not remarketed by the remarketing agent, payment will be made under and pursuant to, and subject to the terms, conditions and provisions of liquidity facility agreements. The liquidity facility agreements are slated to expire as follows: 2008 Series between May and June 2011, and the 2002 Series on November 15, 2022 and are subject to extension or early termination. Bonds that are purchased by financial institutions under the liquidity facility and not remarketed, if any, must be paid over a five year period. If this was to occur, annual Authority debt service expense would increase substantially.

The County has assumed responsibility for calculating and paying arbitrage rebate liability on bonds or notes issued by the Authority.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**F. LONG-TERM DEBT (continued)**

Bonds are recorded at the principal amount outstanding and consist of the following at December 31, 2008:

	Dollars in Thousands				
	Bond Par Issued	Balance at 1/1/08	Additions	Retired	Balance at 12/31/2008
Sales Tax Secured Bonds, Series 2000A 4.50% to 5.625% serial and term bonds due through 2020	\$ 254,720	\$ 12,845			\$ 12,845
Sales Tax Secured Bonds, Series 2001A 4% to 5.375% serial and term bonds due through 2021	181,480	48,400		\$ 7,840	40,560
Sales Tax Secured Bonds, Series 2002A (variable rate) term bond due 2022 with mandatory sinking fund redemptions due through 2021	112,825	97,210		4,505	92,705
Sales Tax Secured Bonds, Series 2002B (variable rate) term bond due 2022 with mandatory sinking fund redemptions due through 2021	112,825	93,970		4,355	89,615
Sales Tax Secured Bonds, Series 2003A 2% to 6% serial bonds due through 2023	275,990	234,050		10,620	223,430
Sales Tax Secured Refunding Bonds, Series 2003B 2% to 5% serial bonds due through 2018	238,485	188,575		18,260	170,315
Sales Tax Secured Bonds, Series 2004A 2% to 5% serial bonds due through 2013	153,360	121,435		21,905	99,530
Sales Tax Secured Variable Rate Bonds, Series 2004 B-G auction rate securities due 2016 to 2024	450,000	450,000		450,000	-0-
Sales Tax Secured Bonds, Series 2004H 2.15% to 5% serial bonds due through 2017	187,275	176,165		14,140	162,025
Sales Tax Secured Bonds, Series 2004 I-K auction rate securities due through 2025	150,000	150,000		150,000	-0-
Sales Tax Secured Bonds Series 2005A 3.26% to 4.8% serial due through 2024	124,200	124,200			124,200
Sales Tax Secured Variable Rate Bonds Series 2005 B-C auction rate securities due through 2025	122,300	118,650		118,650	-0-
Sales Tax Secured Bonds Series 2005 D 3.23% to 4.32% serial and term bonds due through 2022	143,795	143,025		11,415	131,610
Sales Tax Secured Bonds Variable Rate Bonds Series 2008 A-E auction rate securities due 2014 through 2025	605,055		\$ 605,055		605,055
Sales Tax Secured Bonds Variable Rate Bonds Series 2008 F auction rate securities due through 2025	123,185		123,185		123,185
	<u>\$ 3,235,495</u>	<u>\$ 1,958,525</u>	<u>\$ 728,240</u>	<u>\$ 811,690</u>	<u>\$ 1,875,075</u>

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**F. LONG-TERM DEBT** (continued)

Aggregate debt service to maturity as of December 31, 2008, is as follows (dollars in thousands):

Years Ending December 31,	<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
2009	\$ 104,265	\$ 81,218	\$ 185,483
2010	104,930	76,296	181,226
2011	119,690	71,446	191,136
2012	144,725	65,844	210,569
2013–2017	717,825	226,541	944,366
2018–2022	542,380	90,510	632,890
2023–2025	141,260	10,022	151,282
	<u>\$ 1,875,075</u>	<u>\$ 621,877</u>	<u>\$ 2,496,952</u>

\*Interest on the Variable Rate Bonds is calculated at 5%. During 2008, the interest rate on the Variable Rate Bonds ranged from 0.50% to 8.80%.

**Refunding Bond**

During 2008, the Authority issued \$728,240,000 of Sales Tax Secured Bonds, 2008 Series A-F with a variable interest rate to refund \$722,775,000 of Sales Tax Secured Series 2004 B-G, Series 2004 I-K, Series 2002 A-B, and Series 2005 B-C auction rate bonds with a variable interest rate. This refunding is expected to result in a present value savings of approximately \$63.9 million.

**G. SWAP AGREEMENTS**

**Board-Adopted Guidelines** — On March 25, 2004, NIFA adopted guidelines (“Interest Rate Swap Policy”) with respect to the use of swap contracts to manage the interest rate exposure of its debt. The Interest Rate Swap Policy establishes specific requirements that must be satisfied for NIFA to enter into a swap contract.

**Objectives of Swaps** — To protect against the potential of rising interest rates, to achieve a lower net cost of borrowing, to reduce exposure to changing interest rates on a related bond issue or in some cases where Federal tax law prohibits an advance refunding, and to achieve debt service savings through a synthetic fixed rate. In an effort to hedge against rising interest rates, NIFA entered into nine separate pay-fixed, receive-variable interest rate Swap Agreements during FY 2004 (the “Swaps”).

**Background** — NIFA entered into the following six swap contracts with an effective date of April 8, 2004, in connection with the issuance of \$450 million in auction rate securities to provide for the refunding or restructuring of a portion of the County’s outstanding bonds, refunding of certain outstanding NIFA bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments and settlements, County capital projects and to pay costs of issuance. These auction rate securities were subsequently refunded on May 16, 2008 with variable rate demand bonds and the swap agreements transferred to the 2008 Bond Series A-E.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**G. SWAP AGREEMENTS** (continued)

- \$72.5 million notional amount (2004 Series B – swap agreement) with Goldman Sachs Mitsui Marine Derivative Products, L.P. (“GSMMDP”)
- \$72.5 million notional amount (2004 Series C – swap agreement) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
- \$80 million notional amount (2004 Series D – swap agreement) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
- \$72.5 million notional amount (2004 Series E – swap agreement) with UBS AG
- \$72.5 million notional amount (2004 Series F – swap agreement) with UBS AG
- \$80 million notional amount (2004 Series G – swap agreement) with UBS AG

NIFA entered into the following three swap contracts with an effective date of December 9, 2004, in connection with the issuance of \$150 million in Auction Rate Securities to provide for the refunding of a portion of the County’s outstanding bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments, and settlements and to pay costs of issuance. These auction rate securities were subsequently refunded on May 16, 2008 with variable rate demand bonds and the swap agreements transferred to the 2008 Bond Series A-E.

- \$50 million notional amount (2004 Series I – swap agreement) with Goldman Sachs Mitsui Marine Derivative Products, L.P.
- \$50 million notional amount (2004 Series J - swap agreement) with UBS AG
- \$50 million notional amount (2004 Series K – swap agreement) with Morgan Stanley Capital Services (“MSCS”)

**Fair Value** — Replacement interest rates on the swaps, as of December 31, 2008, are reflected in the chart entitled “Interest Rate Swap Valuation” (the “Chart”). As noted in the chart, replacement rates were lower than market interest rates on the effective date of the swaps. Consequently, as of December 31, 2008, the swaps had negative fair values. In the event there is a positive fair value, NIFA would be exposed to the credit risk of the counterparties in the amount of the swaps’ fair value should the Swap be terminated.

The total value of each swap, including accrued interest, is provided in the chart. The total value of each swap listed represents the theoretical value/(cost) to NIFA if it terminated the swap as of the date indicated, assuming that a termination event occurred on that date. Negative fair values may be offset by reductions in total interest payments required under the related variable interest rate bonds. The market value is calculated at the mid-market for each of the swaps. Fair values were estimated using the zero coupon methodology. This methodology calculates the future net settlement payments under the swap agreement, assuming the current forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using rates derived from the same yield curve. As of December 31, 2008, the total market-to-market valuation, net of accruals, of NIFA’s swaps was negative \$80,328,731. In the event that both parties continue to perform their obligations under the swap, there is not a risk of termination and

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

neither party is required to make a termination payment to the other. NIFA is not aware of any event that would lead to a termination event with respect to any of its swaps.

**G. SWAP AGREEMENTS** (continued)

**Risks Associated with the Swap Agreements** — From NIFA's perspective, the following risks are generally associated with swap agreements:

- *Credit/Counterparty Risk* — The counterparty becomes insolvent or is otherwise not able to perform its financial obligations. In the event of deterioration in the credit ratings of the counterparty or NIFA, the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement.

Under the swap agreements, neither party has to collateralize its termination exposure unless its ratings, or that of the insurer, fall below certain triggers. For the Authority, there is no requirement to collateralize until the Authority is at an A3/A- level, and then only for the amount over \$50 million (threshold amount) of exposure. The threshold amount declines if the Authority falls into the BBB ratings category.

NIFA's swap policy requires that counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, without distinction as to grade within the category. If after entering into an agreement the ratings of the counterparty or its guarantor or credit support party are downgraded below the described ratings by any one of the rating agencies, then the agreement is subject to termination unless the counterparty provides either a substitute guarantor or assigns the agreement, in either case, to a party meeting the rating criteria reasonably acceptable to NIFA or collateralizes its obligations in accordance with the criteria set forth in the transaction documents. The counterparties have the ratings set forth below. The table shows the diversification, by percentage of notional amount, among the various counterparties that have entered into agreements with NIFA.

<b>Counterparty</b>	<b>(Dollars in Millions)</b>	<b>Notional Percentage</b>
GSMMDP	\$ 275	45.80 %
UBS AG	275	45.80
MSCS	<u>50</u>	<u>8.40</u>
Total	<u>\$ 600</u>	<u>100.00 %</u>

NIFA insured its performance in connection with the swaps associated with the Series 2004 B-G bonds with Ambac Assurance Corporation ("Ambac"), which is rated Baa1/A/NR (Moody's/S&P/Fitch), including NIFA termination payments. NIFA's payments to the counterparties on the swaps associated with the Series 2004 I-K bonds are insured with CDC IXIS Financial Guaranty North America, Inc. ("CIFG NA"), which is rated B3/B/NR (Moody's/S&P/Fitch). However, termination payments from NIFA are not guaranteed except on NIFA's swap with UBS AG, where it is guaranteed up to a maximum of \$2.0 million.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**G. SWAP AGREEMENTS** (continued)

- *Basis Risk* — The variable interest rate paid by the counterparty under the swap and the variable interest rate paid by NIFA on the associated variable interest rate bonds are not the same. If the counterparty's rate under the swap is lower than the bond interest rate, then the counterparty's payment under the swap agreement does not fully reimburse NIFA for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there is a net benefit to NIFA.

NIFA is exposed to basis risk on the swaps. NIFA is paying a fixed rate of interest to the counterparties and the counterparties are paying a variable rate to NIFA represented by a percentage of the One-Month LIBOR ("London Inter-bank Offered Rate"), rate plus a fixed spread. The amount of the variable rate swap payments received from the counterparties does not normally equal the actual variable rate payable to the bondholders. Should the historical relationship between LIBOR and NIFA's variable rate on its bonds move to converge, the expected cost savings may not be realized. Conversely, should the relationship between LIBOR and NIFA's variable rate on its bonds move to diverge, there is a benefit to NIFA.

- *Termination Risk* — The swap agreement will be terminated and NIFA will be required to make a large termination payment to the counterparty.

The swaps use International Swaps and Derivative Association ("ISDA") documentation and use standard provisions regarding termination events with one exception: if the termination amount is over \$5 million for the Authority, the Authority can pay such excess amount over six months, financing the delay at LIBOR, plus 1%. However, adverse termination for credit deterioration is unlikely due to the NIFA's current credit rating. NIFA or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. In addition, NIFA may terminate the swaps at their fair market value at any time. NIFA would be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in NIFA making or receiving a termination payment. NIFA is not aware of any event that would lead to a termination event with respect to any of its swaps.

- *Rollover Risk* — The notional amount under the swap agreement terminates prior to the final maturity of the associated bonds, and NIFA may be exposed to then market rates and cease to get the benefit of the synthetic fixed rate for the duration of the bond issue.

NIFA is not exposed to rollover risk, because the notional amounts under the swaps do not terminate prior to the final maturity of the associated variable interest rate bonds.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**G. SWAP AGREEMENTS (continued)**

As of December 31, 2008, NIFA's Interest Rate Swap Valuation is as follows:

Nassau County Interim Finance Authority  
Interest Rate Swap Valuation  
(as of December 31, 2008)

Swap Agreements	<u>2004 Series B</u>	<u>2004 Series C</u>	<u>2004 Series D</u>	<u>2004 Series E</u>	<u>2004 Series F</u>	<u>2004 Series G</u>	<u>2004 Series I</u>	<u>2004 Series J</u>	<u>2004 Series K</u>	<u>Total</u>
Notional Amount	\$ 72,500,000	\$ 72,500,000	\$ 80,000,000	\$ 72,500,000	\$ 72,500,000	\$ 80,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 600,000,000
Counterparty	GSMMDP	GSMMDP	GSMMDP	UBS	UBS	UBS	GSMMDP	UBS	MSCS	
Counterparty Rating (1)	Aaa/AAA/NR	Aaa/AAA/NR	Aaa/AAA/NR	Aa2/A+/A+	Aa2/A+/A+	Aa2/A+/A+	Aaa/AAA/NR	Aa2/A+/A+	A2/A/A	
Effective Date	April 8, 2004	April 8, 2004	April 8, 2004	April 8, 2004	April 8, 2004	April 8, 2004	December 9, 2004	December 9, 2004	December 9, 2004	
Maturity Date	November 15, 2024	November 15, 2024	November 15, 2016	November 15, 2024	November 15, 2024	November 15, 2016	November 15, 2025	November 15, 2025	November 15, 2025	
NIFA Pays	3.146 %	3.146 %	3.002 %	3.146 %	3.146 %	3.003 %	3.432 %	3.432 %	3.432 %	
Replacement Rate	1.747 %	1.747 %	1.643 %	1.747 %	1.747 %	1.624 %	1.898 %	1.898 %	1.898 %	
NIFA Receives	60% of LIBOR plus 16 basis points weekly (Tuesday)	60% of LIBOR plus 16 basis points weekly (Friday)	60% of LIBOR plus 26 basis points monthly (4th Monday)	60% of LIBOR plus 16 basis points weekly (Tuesday)	60% of LIBOR plus 16 basis points weekly (Friday)	60% of LIBOR plus 26 basis points monthly (5th Thursday)	61.5% of LIBOR plus 20 basis points	61.5% of LIBOR plus 20 basis points	61.5% of LIBOR plus 20 basis points	
Net Accrued	\$ (290,562)	\$ (286,984)	\$ (251,867)	\$ (290,562)	\$ (286,984)	\$ (263,067)	\$ (203,927)	\$ (203,927)	\$ (203,927)	\$ (2,281,807)
Net Present Value	<u>(9,743,173)</u>	<u>(9,739,950)</u>	<u>(6,691,099)</u>	<u>(9,742,505)</u>	<u>(9,739,950)</u>	<u>(6,692,577)</u>	<u>(8,565,890)</u>	<u>(8,565,890)</u>	<u>(8,565,890)</u>	<u>(78,046,924)</u>
Total Fair Value of Swap	<u>\$ (10,033,735)</u>	<u>\$ (10,026,934)</u>	<u>\$ (6,942,966)</u>	<u>\$ (10,033,067)</u>	<u>\$ (10,026,934)</u>	<u>\$ (6,955,644)</u>	<u>\$ (8,769,817)</u>	<u>\$ (8,769,817)</u>	<u>\$ (8,769,817)</u>	<u>\$ (80,328,731)</u>

(1) Moodys/S&P/Fitch.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**G. SWAP AGREEMENTS (continued)**

**Swap Payments and Associated Debt** — Using rates as of December 31, 2008, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, is shown below. \*As rates vary, variable-rate bond interest payments and net swap payments will vary.

Years Ending December 31,	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2009		\$ 11,293	\$ 16,277	\$ 27,570
2010		11,293	16,277	27,570
2011		11,293	16,277	27,570
2012		11,324	16,269	27,593
2013	\$ 31,100	11,215	16,181	58,496
2014-2018	259,130	35,039	65,221	359,390
2019-2023	275,375	5,507	23,360	304,242
2024-2025	39,450	251	1,263	40,964
Total	<u>\$ 605,055</u>	<u>\$ 97,215</u>	<u>\$ 171,125</u>	<u>\$ 873,395</u>

\*Note: As a result of credit and liquidity concerns among short-term investors, the variable rate demand bond market witnessed unusual volatility between the middle of September and the end of the year. Although there can be no assurance that market volatility will not return, it appears that NIFA's variable rate problem peaked in September when the weighted average of weekly interest rates exceeded 8 percent. In addition, a portion of NIFA's variable rate demand bonds were temporarily put back to NIFA's liquidity facilities and accrued interest at the Bank Bond rates defined in the respective Standby Bond Purchase Agreement ("SBPA").

**H. RETIREMENT SYSTEM**

Plan Description

The Authority participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits.

Obligation 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 their funds.

A publicly available annual report containing financial statements and required supplemental information for the Employees' Retirement System may be obtained by writing to the New York State Retirement System, Governor Smith State Building, Albany, NY 12244.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**H. RETIREMENT SYSTEM** (continued)

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 and who have less than ten years of membership and less than ten years of credited service with a retirement system under the provisions of article fourteen or fifteen of the NYSRSSL, who contribute 3% of their salary. Prior to October 1, 2000, all employees who joined the System after July 27, 1976 were required to contribute 3% of their salary. Under the authority of the NYSRSSL, 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.

The Authority is required to contribute at an actuarially determined rate. The actual contributions were equal to the actuarially required amounts

The required contributions, for the Authority, for the current year and two preceding years were:

	<u>Annual Required Contribution</u>	<u>Total Payment</u>	<u>Percentage of Payroll Covered</u>
2008	\$ 44,994	\$ 44,994	6.22%
2007	68,751	68,751	8.27%
2006	74,829	74,829	9.86%

As shown in the table above, the Authority's contribution to the system was 100% of the contributions required each year.

**I. OTHER POST-EMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)**

Plan Description

The Authority, in accordance with New York State Health Insurance Rules and Regulations, provides group health care benefits for retirees (and for eligible dependents and survivors of retirees). Contributions of 10% toward the costs of these benefits are required of the retirees. Retiree contributions towards the cost of the benefit are a percentage of the premium adjusted for accumulated sick leave credits. An actuarially determined valuation of these benefits was performed by a consultant to estimate the impact of changes in GASB accounting rules applicable to the retiree medical benefits for retired employees and their eligible dependents. There is currently one plan participant receiving benefits.

The number of participants as of January 1, 2008, the date of the most recent actuarial valuation is as follows:

Active employees	6
Retired employees	<u>1</u>
Total	<u><u>7</u></u>

There have been no significant changes in the number of employees or the type of coverage since that date.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**I. OTHER POST-EMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)**

Annual Other Post-Employment Benefit Cost

The Authority's annual other post-employment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined by using the Projected Unit Credit Method in accordance with the parameters of GASB Statement No. 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.

For the year ended December 31, 2008, the Authority's annual other post-employment benefits cost (expenses) were \$120,000. The annual other post employment benefit cost include the payment of current health insurance premiums, for retirees and their beneficiaries.

Normal Cost and Benefit Obligation

Amortization of UAAL	\$	822,000
Normal cost		82,000
Interest on normal cost		4,000
		908,000
Annual Required Contribution		908,000
Interest on Net OPEB obligation		35,000
Adjustment to annual required contribution		(823,000)
		120,000
Annual OPEB expense		120,000
		(16,000)
Contributions made		(16,000)
Increase in net OPEB obligation		104,000
Net OPEB obligation - beginning of year		788,000
		892,000
Net OPEB obligation - end of year	\$	892,000

The Authority's annual OPEB cost, the estimated annual OPEB amount contributed to the plan, and the net OPEB obligation for the fiscal year ended December 31, 2008, were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 120,000	13.33%	\$ 892,000
2007	803,000	1.87%	788,000

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008

**I. OTHER POST-EMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)**  
(continued)

Funded Status and Funding Progress

The Authority elected to record the entire amount of the Unfunded Actuarial Accrued Liability ("UAAL"), totaling \$822,000 in the fiscal year ended December 31 2007, and not to fund the UAAL. The UAAL, including accrued interest relating to postemployment benefits, is approximately \$892,000 as of December 31, 2008. The Authority is not required by law or contractual agreement to provide funding for postemployment retirement benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. The Authority currently pays for other post-employment benefits on a pay-as-you-go basis. During the fiscal year ended December 31, 2008, the Authority paid \$14,746 on behalf of the Plan.

The funded status of the plan as of January 1, 2008, the most recent actuarial valuation date is as follows:

Actuarial Accrued Liability (AAL)	\$	892,000
Actuarial value of plan assets		-0-
Unfunded actuarial accrued liability		892,000
Funded ratio		0%
Covered payroll		N/A
UAAL as a percentage of covered payroll		N/A

Actuarial Methods and Assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term liability in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

As of January 1, 2008, the date of the latest actuarial valuation, the liabilities were calculated using the Projected Unit Credit Method. The actuarial assumptions utilized a 4.5% per annum discount rate. The valuation assumes an 8.75% health care cost trend for 2008 and decrements to a rate of 5% in 2014. Retiree contributions are assumed to increase at the same rate as incurred claims.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2008

**J. COMPENSATED ABSENCES**

The Authority's employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and unused compensatory absences at various rates subject to certain maximum limitations. Employees are permitted to accrue unused sick leave without limitation, and upon certain conditions, apply the salary value of the leave upon retirement to the cost of the retiree's share of his or her health insurance premium. Authority employees who were previously employed by New York State or New York State agency or authority were permitted to transfer leave balances to the Authority. The value of these transferred balances is included in the amount accrued in the entity-wide Statement of Net Assets.

Estimated vacation and compensatory absences accumulated employees have been recorded in the statements of net assets. However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of December 31, 2008, the value of the accumulated vacation time, sick leave and compensatory absences was approximately \$268,000.

**K. RISK MANAGEMENT**

The Authority carries coverage for workers' compensation and general liability claims and excess liability insurance coverage of \$1,000,000 per occurrence with a \$2,000,000 annual aggregate.

The Authority is self-insured for property protection on the first \$10,000 per loss with insurance protection coverage of up to \$150,000 for any loss.

The Authority Directors and employees are indemnified under the NIFA ACT Section 3662 (7)(a) by New York State. The Authority is prohibited by the NIFA Act Section 3654 (14) from owning real property.

There have been no significant reductions in insurance coverage as compared to the prior year.

**L. COMMITMENTS AND CONTINGENCIES**

The Authority was not a defendant in any litigation as of December 31, 2008. Authority employees are entitled to accumulate unused vacation, holiday and sick leave, and to be paid for that leave, up to amounts specified by the Authority. The amount is limited for vacation and sick pay and unlimited for holiday pay. At current salary levels, the Authority's liability for payment of vacation and holiday pay is \$141,777 which includes the Authority's share of taxes and other withholdings. Authority employees are also permitted: to either accrue unused sick leave without limitation and, upon certain conditions, apply the salary value of the leave upon retirement to the cost of the retiree's share of his or her health insurance premium or to be paid for up to 13 days of sick leave each year as long as certain sick leave balances are maintained. At current salary levels, the Authority's liability for payment of this sick leave accumulation is \$126,824, which includes only the salary value of the time accumulated. Authority employees who were previously employed by the State or a State agency or authority were permitted to transfer leave balances to the Authority. The value of these transferred balances is included in the foregoing amounts. The value of accrued unused leave is included as a noncurrent liability in the entity-wide Statement of Net Assets.

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

To the Board of Directors of  
Nassau County Interim Finance Authority:

We have audited the financial statements of Nassau County Interim Finance Authority (the "Authority"), as of December 31, 2008, and for the year then ended, and have issued our report thereon dated April 22, 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's 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 the entity's 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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

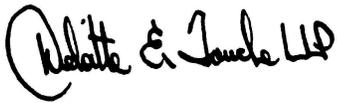
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

## Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, and the Office of the State Comptroller, State of New York 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 "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

April 22, 2009

**NASSAU COUNTY INTERIM FINANCE AUTHORITY  
AUTHORITY REPORT ON INVESTMENTS  
YEAR ENDED DECEMBER 31, 2008**

Section 2925 of the New York State Public Authorities Law requires State Authorities to “annually prepare and approve an investment report which shall include the investment guidelines, as specified in subdivision three of this section, amendments to the guidelines since the last investment report, an explanation of the investment guidelines and amendments, the results of the annual independent audit, the investment income record of the corporation and a list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the corporation since the last investment report.”

The Authority’s annual Audited Financial Statement and the Independent Auditor’s Compliance Report on Investment Policies and Procedures, as required by the Authority’s Investment Guidelines, are in Tab 2. Other information required by Section 2925 follows.

**Explanation of the Investment Guidelines and Amendments**

The NIFA Investment Guidelines in effect as of December 31, 2008 are based on the principles and precepts of investment safety and control contained in the Office of the State Comptroller’s “Investment Guidelines for Public Authorities” as revised on January 2, 1998 and updated to include requirements of the Public Authorities Accountability Act of 2005 and the Legislation applicable as issued by the New York State Comptroller. The NIFA Guidelines set forth the Authority’s policy and objectives regarding the investment of Authority funds, in accordance with the NIFA statute and the bond indenture executed by NIFA and its Trustee for debt issuances, the Bank of New York, New York, New York.

As indicated in the Investment Guidelines, the Authority’s objectives for its investment program are:

1. Foremost, safeguarding the principal amount of the investment funds.
2. Developing a portfolio that considers the factors of liquidity, reasonable return on investments and diversification.

**Investment Activity**

As reported in the Authority Audit, NIFA received or accrued a total of \$2,697,000 in interest on investments during the fiscal year ended December 31, 2008. In addition, as of December 31, 2008 NIFA held marketable securities with maturity dates greater than 90 days for which accrued interest was included. Additionally, in accordance with accounting principles used by NIFA, these securities were valued at fair market value and the amount of unrealized depreciation of (\$85,000) was netted against interest income.

In the year ended December 31, 2008, NIFA had two principal types of investment accounts: (1) accounts held by the Bank of New York, Trustee under the Authority's bond Indenture, which contained bond and note sale proceeds and debt service deposits; (2) NIFA operating fund and reserve accounts

Interest earned in the year ended December 31, 2008 from these accounts was as follows:

<u>Type of Account</u>	<u>Total Interest Earnings</u>
1. Bond and Note Related, held by Trustee	\$2,687,000
2. NIFA Operating Funds and Reserves	10,000
Total Earnings (cash and accrued)	\$2,697,000

The Authority invests in accordance with the Act, as well as other applicable rules and regulations, the Indenture, and Authority Investment Guidelines amended and readopted by the Authority Directors on June 18, 2008. As of December 31, 2008 the Authority held cash, Federal Home Loan Bank Discount Notes and Treasury Bills, Federal National Mortgage Association Discount Notes, and Federal Home Loan Mortgage Corporation Discount Notes. All bank deposits of Authority funds are required to be fully collateralized or insured. Collateral for the Authority cash and certificates of deposit, which is required to be 102% of the amount of the cash or certificate of deposit amount and is held by a third party custodian in the Authority's account, consisted of U.S. government and agency obligations.

#### **Fees, Commissions, or Other Charges Paid**

The Authority has not paid any fees, commissions or other charges to any investment banker, broker, agent, dealer and advisor for investment associated services. Investments over dollar thresholds set forth in the NIFA Guidelines have been awarded through competitive bid based on the highest yield to the Authority, except in limited instances of market disruption or special cash flow needs for which eligible securities were not reasonably available through bidding (as documented in the records of the Authority), in which instances eligible securities were purchased directly from the Authority's bank, Trustee, or approved broker/dealer.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**INVESTMENT GUIDELINES**  
**(Re-adopted September 12, 2003)**  
**(Re-adopted June 22, 2004)**  
**(Re-adopted, as amended, June 16, 2005)**  
**(Re-adopted May 4, 2006)**  
**(Re-adopted May 2, 2007)**  
**(Re-adopted June 18, 2008)**

**Introduction**

These investment guidelines (“Guidelines”) are adopted as required by Section 2925 of the New York Public Authorities Law.

**ARTICLE ONE**

Definitions

As used herein the terms set forth below are defined as follows:

- 1.1 "Authority" or “NIFA” means the Nassau County Interim Finance Authority, a corporate governmental agency and instrumentality of the State of New York, constituting a public benefit Corporation, established pursuant to Chapter 84 of the Laws of 2000 of the State of New York.
- 1.2 "Comptroller" means the State Comptroller.
- 1.3 "Investment Funds" means all monies and financial resources available for investment by the Authority, other than proceeds of bonds issued by the Authority.
- 1.4 "Repurchase Agreement" means a repurchase agreement satisfying the requirements set forth in Article 4 herein.
- 1.5 "Securities" means any or all of the investment obligations of the categories described in Section 4.1 of Article 4 herein.
- 1.6 "State" means the State of New York.

## **ARTICLE TWO**

### Scope

These guidelines shall govern the investment and reinvestment of Investment Funds and the sale and liquidation of investments, as well as the monitoring, maintenance, accounting, reporting and internal controls by and of the Authority with respect to such investment, sale, reinvestment and liquidation.

## **ARTICLE THREE**

### Investment Objectives

The Authority's investment activities shall have as their first and foremost objective the safeguarding of the principal amount of the Investment Funds. Additional considerations regarding the Authority's investment activities shall be liquidity of investments, realization of a reasonable return on investments and diversification of investments.

## **ARTICLE FOUR**

### Permissible Investments

- 4.1 The Authority may invest its Investment Funds in any and all of the following, if and to the extent permitted by statutes, regulations and bond resolutions applicable at the time of investment of such Investment Funds:
- a) obligations of the State or the United States government;
  - b) obligations the principal and interest of which are guaranteed by the State or the United States government;
  - c) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances (1) of any of the fifty largest banks in the United States which bank, at the time of investment, has an outstanding unsecured, uninsured and unguaranteed debt issue ranked in either of the two highest rating categories of two nationally recognized independent rating agencies; or (2) the certificates of deposit are fully collateralized by obligations of the United States government or obligations the principal and interest of which are guaranteed by the United States government; or (3) the certificates of deposit are held in a "municipal" bank account

and fully collateralized pursuant to General Municipal Law Section 10 and regulations of the Comptroller as the same shall be in effect from time to time, or (4) certificates of deposit in the amount of \$100,000 or less that are fully guaranteed by Federal Deposit Insurance.

- d) commercial paper of any bank or authority created under the laws of either the United States or any state of the United States which commercial paper, at the time of the investment, has received the highest rating of two nationally recognized independent rating agencies;
- e) bonds, debentures, or other evidences of indebtedness, issued or guaranteed at the time of the investment by the federal national mortgage association, federal home loan mortgage authority, student loan marketing association, federal farm credit system, or any other United States government sponsored agency, provided that at the time of the investment such agency receives, or its obligations receive, any of the three highest rating categories of two nationally recognized independent rating agencies;
- f) any bonds or other obligations of any state, or the United States of America or of any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which bonds or other obligations, at the time of the investment, have received any of the three highest ratings of two nationally recognized independent rating agencies;
- g) any repurchase agreement or other investment agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in paragraph (a), (b), or (e) of this subdivision which securities shall at all times have a market value of not less than 102% of the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of New York State or any national banking association domiciled in New York State, as custodian;
- h) reverse repurchase agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in paragraph (a), (b) or (e) of this subdivision which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of New

York State or any national banking association domiciled in New York State, as custodian.

- i) investment agreements or guaranteed investment contracts with any financial institution whose senior long term debt obligations, or whose obligations under such an investment agreement or guaranteed investment contract are guaranteed by a financial institution whose senior long term debt obligations, have a rating (at the time such agreement or contract is entered into) in one of the three highest rating categories for comparable types of obligations by a rating agency;
- j) money market funds rated in one of the three highest rating categories for comparable types of obligations by a rating agency;

#### 4.2 Specific Requirements Regarding Certificates of Deposit

4.2.1 Collateral for a Certificate of Deposit. If a certificate of deposit is required to be collateralized pursuant to Section 2 of paragraph (c) of section 4.1 of these Guidelines, the collateral must be reviewed weekly to determine if the market value of the collateral equals or exceeds the principal amount of the uninsured portion of the certificate of deposit plus accrued interest. If the market value of the collateral is insufficient, the issuer of the certificate of deposit must exchange or add to the amount of collateral to bring its market value equal to or in excess of the uninsured portion of the principal amount of the certificate of deposit plus accrued interest.

4.2.2 Standard Terms for Certificate of Deposit Collateral Agreement. The Authority shall negotiate and enter into a written agreement with each bank (and custodian) from which it has obtained a certificate of deposit. Such written agreement shall, at a minimum, address the following concerns:

- (a) The frequency of the valuation of the collateral to market, as set forth above (such valuation shall be done at least weekly);
- (b) The right and ability of the bank to substitute like Investment Securities as collateral;
- (c) Description of events of default which would permit the Authority or its custodian to liquidate or purchase the underlying Investment Securities;
- (d) Description of the party who is to have title to the underlying Investment Securities during the term of the agreement; and
- (e) With respect to the custodial bank, the agreement shall also provide that the custodial bank takes possession of the Investment Securities as agent of the Authority and that the claims of the custodial bank are subordinate to those of the Authority.

- 4.3 Specific Requirements Governing Repurchase Agreements. Notwithstanding Section 4.1 hereof, the following shall also apply to Repurchase Agreements.
- 4.3.1 Placement. The placement of Repurchase Agreements may be distributed among several authorized firms as appropriate to reduce the level of risk. The investment limit set for each such firm shall not be exceeded unless the Executive Director of the Authority makes a written finding that sufficient Securities are not available from other eligible firms. Not less frequently than once each year, the Authority's Executive Director shall review and, if appropriate, recommend adjustment of the investment limit for each eligible seller in light of such firm's current capitalization. All investment limit adjustments shall require the approval of the Treasurer and Executive Director.
- 4.2.2 Eligible Custodian Banks. To be eligible to hold the Securities which are the subject of a Repurchase Agreement, a custodial bank should be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of Securities to the credit of the Authority. Transfer of Securities, whether by book entry or physical delivery, should be confirmed in writing to the Authority by the custodial bank. The custodian should not be the same party that is selling the Securities. The Authority's Directors or their designee(s) must affirmatively find that a proposed custodial bank is financially sound before such bank may be eligible to perform custodial services for the Authority.
- 4.3.3 Maximum Maturity of Repurchase Agreements. Repurchase Agreements shall be limited to a maturity not to exceed thirty (30) days, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral if any deficiency is not restored within five (5) business days of such valuation. Collateral securities shall have maturities not exceeding thirty (30) years.
- 4.3.4 Standard Terms for Repurchase Agreements. The Authority shall execute a master Repurchase Agreement with each broker-dealer which outlines the basic rights of both buyer and seller including:
- (a) The events of default which would permit the Authority to liquidate or purchase the underlying Securities;
  - (b) The relationship between parties to the agreement, which should ordinarily be purchaser and seller;
  - (c) A requirement that there be a written contract with the custodial bank outlining the responsibilities of the bank and the parties to the agreement. Such an agreement must provide, among other things, that the custodial bank will not make payment for the Securities until the bank actually receives them and that the custodial bank

takes possession of the Securities exclusively for the Authority and that any claims of the custodial bank are subordinate to those of the Authority;

- (d) Procedures which ensure that the Authority obtains a perfected security interest in the underlying Securities. The Authority or its custodian must take possession of the Securities being purchased by physical delivery or book entry. Furthermore, the written agreement shall contain a provision that, in the event a court of final jurisdiction construes the specific Repurchase Agreement to be a loan, the seller shall be deemed to have granted the Authority a perfected security interest in the purchased Securities;
- (e) The market value of the Securities purchased under a repurchase transaction must be at least equal to the purchase price. The value of the Securities must be monitored and marked to market on a daily basis. Additional Securities shall be required if market fluctuations cause the market value of the purchased Securities to become less than the purchase price.

## **ARTICLE FIVE**

### Operating Procedures

- 5.1 Authorized Officers and Employees. Only the following persons shall be authorized to make investment decisions on behalf of the Authority: the Chairman of the Authority's Directors; the Executive Director; the Treasurer; and the General Counsel, but only if designated in writing by the Treasurer. The implementation of such investment decisions by placement of purchase or sale orders or otherwise shall be effected only by the foregoing officers and employees and by such employees as may from time to time be designated in writing by the Treasurer.
- 5.2 Standards for the Qualification of Brokers, Dealers and Agents. Any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer which is authorized to do business in the State may become qualified by the Authority to transact purchases and sales of Securities (other than Repurchase Agreements) with the Authority. Factors to be considered in determining the qualification of such firms shall include the firm's capitalization, quality, size and reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transaction. The determination of qualification

shall be made by the Treasurer, who shall maintain a list of all such qualified firms.

- 5.3 Standards for the Qualification of Investment Advisors. For the purpose of rendering investment advice to the Authority, the Authority may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, authority, or person which is authorized to do business in the State.

The Authority also shall consider the additional criteria (other than capitalization) enumerated in the preceding paragraph.

- 5.4 Standards for the Qualification of Custodial Banks. To be eligible to hold Securities as collateral for an investment made by the Authority, a custodial bank should be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of Securities to the credit of the Authority. Transfer of Securities, whether by book entry or physical delivery, should be confirmed to in writing to the Authority by the custodial bank. The custodian should not be the same party that is selling the Securities. To be eligible to perform custodial services, the Authority's Directors or their designee(s) must affirmatively find that the proposed custodial bank is financially sound.

- 5.5 Competitive Bids; Negotiated Prices. In connection with the purchase and sale of Securities, for each transaction in excess of two and one-half million dollars (\$2,500,000.00) (or such other threshold dollar amount as the Treasurer may specify in writing), the Authority shall utilize competitive quotations. For each transaction which is equal to or less than two and one-half million dollars (\$2,500,000.00) (or such other threshold dollar amount as the Treasurer may specify in writing), the Authority may utilize either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction. A complete and continuous record of all quotes, solicited and received, shall be maintained by the Treasury Department.

For each transaction (other than the purchase of governmental securities at initial auction) in excess of two and one-half million dollars (or such other threshold dollar amount as the Treasurer may specify in writing), a minimum of three separate solicitations will be made on each direct purchase or sale of a Security (including a Repurchase Agreement). The transaction shall be awarded to the dealer(s) offering the highest yield or return, provided that, with respect to Repurchase Agreements, the amount of the investment with each individual firm does not exceed the investment limit referred to in Section 4.2.1 above.

- 5.6 Written Contracts and Confirmations. A written contract and/or a written confirmation shall be a required for each investment transaction. With respect to the purchase or sale of Securities other than Repurchase Agreements, the

Authority shall not be required to enter into a formal written contract, provided that the Authority's oral instructions to its broker, dealer, agent, investment advisor or custodian with respect to such transactions are confirmed in writing at the earliest practicable moment. A written contract shall be required for each purchase and sale of a Repurchase Agreement.

- 5.7 Payment. Payment for investments shall be made only upon written confirmation of presentation of the physical Security, or in the case of book-entry form Securities, when credited for the custodian's account, which shall be segregated for NIFA's sole use. The custodian may act on oral instructions from an authorized officer of the Authority, such instructions to be confirmed in writing immediately by an authorized officer of the Custodian. Such collateral shall, on the date of purchase, be at least equal in market value to the amount of the investment.
- 5.8 Collateral. Except as specifically otherwise provided herein, the Authority's financial interest in its investments shall be fully secured or collateralized at all times in an amount not less than the original amount invested plus accrued, unpaid interest thereon. Only Securities permissible for investment by the Authority pursuant to these Guidelines (other than Repurchase Agreements) may be accepted as collateral. Pledges of proportionate interests in pooled collateral shall not constitute acceptable collateral. In the case of certificates of deposit and demand and time deposits, collateral shall be provided for amounts in excess of the applicable limit of coverage provided by the Federal Deposit Insurance Authority. Collateral shall be maintained in the custody of the Authority or an approved third party custodian at all times. To assure that, at all times, the market value of said collateral is at least equal to the original amount invested plus all accrued, unpaid interest, collateral shall be marked to market at the time the investment is made and thereafter daily with respect to Repurchase Agreements and weekly with respect to certificates of deposit.
- 5.9 Operating Procedure Manual. The Authority's Treasurer shall prepare a Standard Operating Procedure Manual for placing, controlling and reporting of all investment activity which shall be consistent with these guidelines, be approved by the Authority's Executive Director and shall be consistent with the following:
- (a) Each disbursement of funds (and corresponding receipt of Securities) or delivery of Securities (and corresponding receipt of funds) should be based upon proper written authorization. If the authorization is initially given orally, there should be written or telegraphic confirmation from the Authority's authorized officer to the custodian;
  - (b) The process of initiating, reviewing and approving requests to buy and sell Securities should be documented and retained for audit

purposes. Dealer limits should be established and reviewed regularly;

- (c) Custodians must have prior authorization from the Authority to deliver obligations and collateral. All transactions must be confirmed in writing to the authority. Delivery of obligations sold should only be made upon receipt of funds;
- (d) Custodial banks should be required to report whenever activity has occurred in the Authority's custodial account;
- (e) There should be at least monthly verifications of both the principal amount and the market values of all investments and collateral. Appropriate listings should be obtained from the custodian and compared against the Authority's records;
- (f) A record of investments shall be maintained by the Authority's Treasurer. The records should identify the Security, the fund for which held, the place where kept, date of disposition and amount realized and the market value and custodian of collateral;
- (g) The establishment and maintenance of a system of internal controls;
- (h) Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- (i) A data base or record incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices and related information necessary to manage the portfolio; and
- (j) Requirements for periodic reporting and a satisfactory level of accountability.

## **ARTICLE SIX**

### **Reports and Audits**

The following reports and audits shall be prepared in connection with the Authority's investment program.

6.1 Annual Investment Report. Within ninety (90) days after the close of each fiscal year of the Authority, the Chairman shall submit to the Directors and the Authority shall file with the State Division of the Budget, Comptroller, State Senate Finance Committee and Assembly Ways and Means Committee an annual investment report, prepared with the assistance of the Treasurer, which shall include the following:

- 1) The Investment Guidelines required by Section 2925(3) of the Public Authorities Law and any amendments to such guidelines since the last investment report;
- 2) An explanation of the Investment Guidelines and amendments;
- 3) The results of the Annual Investment Audit (described below);
- 4) The investment income record of the Authority; and
- 5) A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Authority since the date of the last investment report.

6.2 Annual Investment Audit. Each year, the Authority shall cause its independent auditors to conduct an audit (the "Annual Investment Audit") regarding the Authority's investments. (The Authority's financial statements with respect to investments, which are required to be prepared in conformance with generally accepted accounting principles for governments ("GAAP"), should contain all of the note disclosures on deposits with financial institutions and investments required by the Governmental Accounting Standards Board Statements No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" dated April 1986), as amended or supplemented. The Annual Investment Audit:

- 1) Shall determine whether: the Authority complies with its own investment policies; investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the Authority's assets; and a system of adequate internal controls is maintained.
- 2) Shall determine whether the Authority has complied with applicable laws, regulations and State Comptroller's Investment Guidelines; and
- 3) Should be designed to the extent practical to satisfy both the common interest of the Authority and the public officials accountable to others.

6.3 Annual Investment Audit Report. The results of the Annual Investment Audit shall be set forth in a report (the "Annual Investment Audit Report") which shall include without limitation:

- 1) verification of collateral;
- 2) a description of the scope and objectives of the audit;
- 3) a statement that the audit was made in accordance with generally accepted government auditing standards;
- 4) a description of any material weaknesses found in the internal controls;
- 5) a description of all non-compliance with the Authority's investment policies as well as applicable laws, regulations and the State Comptroller's Investment Guidelines;
- 6) a statement of positive assurance of compliance on the items tested and negative assurance on those items not tested;
- 7) a statement on any other material deficiency or finding identified during the audit not covered in (6) above;
- 8) a report on the status of any swaps entered into by the Authority in accordance with its "Interest Rate Swap Policy", as the same shall be amended from time to time, and
- 8) recommendations, if any, with respect to amendment of these Guidelines.

The Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Authority's fiscal year with the Coordinator of Public Authority Programs, Office of the State Comptroller, 110 State Street, Albany, NY 12236.

## **ARTICLE SEVEN**

### Affirmative Action

A program of Affirmative Action shall apply with respect to NIFA's corporate investment activities. NIFA shall seek to encourage participation by minority and women-owned financial services firms in the conduct of NIFA's corporate investment activities.

## **ARTICLE EIGHT**

### Miscellaneous

- 8.1 In connection with the Annual Investment Audit, each year the Authority shall review these Guidelines to determine whether the Authority shall amend or otherwise update these Guidelines.
- 8.2 The Authority's policy regarding conflicts of interest shall be followed regarding the investment of funds.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY  
AUTHORITY PROMPT PAYMENT REPORT  
YEAR ENDED DECEMBER 31, 2008**

Section 2880 of the Public Authorities law (PAL) requires the Authority to report on the scope and implementation of its Prompt Payment Policy, the parameters of which are set forth in the PAL. The report is to include: “(i) a listing of the types or categories of contracts which the corporation entered into during the twelve month period covered by the report...; (ii) the number and amount of interest payments made...; (iii) the number of interest chargeable days and the total number of days taken to process each late contract payment; and (iv) a summary of the principal reasons that such late payments occurred.”

In the year ended December 31, 2008, NIFA entered into one principal category of contract:

1. Contract related to accounting services.
2. Contracts related to debt financing by NIFA, such as with bond counsel and underwriters.

For each existing contract, payments were made pursuant to approved invoices. All payments were made within prescribed time limits, so that no charges for interest would be incurred.

**NASSAU COUNTY INTERIM FINANCE AUTHORITY  
AUTHORITY PROCUREMENT CONTRACTS GUIDELINES REPORT  
YEAR ENDED DECEMBER 31, 2008**

Section 2879 of the New York State Public Authorities Law requires State Authorities to “annually prepare and approve a report on procurement contracts which shall include the guidelines.”

Attached are the Procurement Guidelines (“Guidelines”) which were amended and readopted by the Authority at its June 18, 2008 meeting. The Guidelines deal with the means by which the Authority acquires goods or services and have been fully utilized since their enactment.

As required by Article X of the Procurement Guidelines a report on Procurement Contracts as of the end of each fiscal year summarizing procurement activity by the Authority for the period of the report including a listing of all Contracts entered into, the selection process used to select such Contracts and the status of existing Procurement Contracts is herein attached.

**Procurement Contracts Entered Into In FY 2008**

Pursuant to the Authority’s Procurement Guidelines, this chart describes contracts greater than \$15,000. All contractors are selected pursuant to authorization from the Authority’s Directors.

<b>Vendor</b>	<b>Service</b>
Albrecht, Viggiano, Zureck & Co	Accounting Services
Bank of America, N.A.	Line of Credit (2008F Bonds)
KBC Bank,N.V.	Line of Credit (2008B Bonds)
Dexia Credit Local	Line of Credit (2008 C-E Bonds)
BNP Paribas	Line of Credit (2008A Bonds)
Sidley Austin Brown & Wood	Bond Counsel
Lamont Financial Services Corporation	Swap Counsel
Fitch Rating Services	Ratings Agency
Standard & Poor’s	Ratings Agency
Moody’s	Ratings Agency
Bank of New York Mellon	Trustee Banking Services
M R Beal & Co	Remarketing Agent (2008D Bonds)
Citigroup	Remarketing Agent (2008C Bonds)
Goldman Sachs	Remarketing Agent (2008 A,B, E,& F)
Goldman Sachs	Underwriter

**Status of Existing Contracts (Entered Into Prior to FY 2008)**

<b>Vendor</b>	<b>Service</b>	<b>Status of Contract</b>
Old Country Road Realty L.P.	Lease for NIFA Office	Ongoing (to 2010)
Verizon	Phone Service	Ongoing
Verizon Wireless	Phone Service	Ongoing
AT&T	Phone Service	Ongoing
Staples	Office Furniture and Supplies	Ongoing
Micro Force	Accounting Software and Training	Ongoing
Deloitte & Touche	Financial Auditing	Ongoing
Citigroup	Remarketing Agents	Ongoing
Goldman, Sachs & Co.	Remarketing Agents	Ongoing
UBS	Remarketing Agents	Ongoing
Morgan Stanley	Remarketing Agents	Ongoing
Fitch Investors Service	Bond Monitoring Services	Ongoing
Standard & Poor’s	Bond Monitoring Services	Ongoing
Moody’s Investors Service	Bond Monitoring Services	Ongoing
BNP Paribas	Line of Credit (2002B Bonds)	Ongoing
Dexia	Line of Credit (2002A Bonds)	Ongoing
Swap Financial	Financial Advisor	Ongoing
Bank of New York	Trustee Banking Services	Ongoing
United States Life Insurance & Co.	Long Term Disability Insurance	Ongoing

**NASSAU COUNTY INTERIM FINANCE AUTHORITY  
GUIDELINES REGARDING THE USE, AWARDING, MONITORING  
AND REPORTING OF PROCUREMENT CONTRACTS**

(Effective June 13, 2000),  
(Amended March 11, 2002)  
(Re-adopted September 12, 2003)  
(Re-adopted June 22, 2004)  
(Re-adopted (as amended) June 16, 2005)  
(Re-adopted May 4, 2006)  
(Re-adopted May 2, 2007)  
(Re-adopted June 18, 2008)

ARTICLE I

STATEMENT OF PURPOSE

101. These Nassau County Interim Finance Authority Guidelines Regarding the Use, Awarding, Monitoring and Reporting of Procurement Contracts (“Guidelines”) are adopted pursuant to the provisions of the Act and Section 2879 of the Public Authorities Law and shall be reviewed and approved by a quorum of the Authority’s Directors at least annually.

ARTICLE II

DEFINITION OF TERMS

201. Definitions. The following terms shall, for purposes of these Guidelines, have the following meanings unless the context shall clearly indicate some other meaning:

“Act” shall mean Chapter 84 of the Laws of 2000, as amended or supplemented.

“Authority” or “NIFA” shall mean the Nassau County Interim Finance Authority.

“Officer” shall mean any person so designated by the Directors of the Authority.

“Procurement Contract” or “Contract” means any written agreement of the Authority for the acquisition of goods or services of any kind in the actual or estimated amount of \$15,000, or more.

### ARTICLE III

#### TYPES OF SERVICES FOR PROCUREMENT

301. The areas of responsibility and oversight requiring Procurement Contracts for personal services include, but are not limited to the performance of legal, accounting, management consulting, investment, banking, planning, training, statistical, research, public relations, architectural, engineering, construction, surveying, or other services of a consulting, professional or technical nature for a fee, commission or other compensation by a person or persons who are not providing such services as officers or employees of NIFA (“Personal Service(s)”).

The reasons for use of Procurement Contracts for Personal Service include, but are not limited to:

- a. Requirements of special expertise or unusual qualifications;
- b. Nature, magnitude complexity of services required;
- c. Lack of sufficient in-house resources, support staff, specialized facilities or equipment;
- d. Lower cost;
- e. Short term need for the services;
- f. Infrequent need for the services; and
- g. Distance of the location or locations where the services must be performed from the Authority offices or facilities.

302. Procurement Contracts for Goods

The types of goods requiring Procurement Contracts include:

- a. Goods needed in order to proceed with a project of NIFA; and
- b. Goods needed in order to support the administrative needs of NIFA.

## ARTICLE IV

### SELECTION OF PERSONAL SERVICE CONTRACTORS

#### 400. Selection Criteria

Except as specifically waived in accordance with the provisions of these Guidelines, the Act, State law, rules or regulations, Procurement Contracts shall be awarded as follows:

##### 1. General Policy

Procurement Contracts are to be awarded to persons/firms on a competitive basis to the maximum extent possible.

- a. Such awards are to be made after notice is published in the New York State Contract Reporter and after the solicitation of proposals obtained from at least three qualified persons/firms.
- b. Such NIFA requests for proposals shall be preceded, where possible, by the preparation of reasonable cost estimates for such Contracts. Such cost estimates shall be the responsibility of the NIFA staff members initiating such requests for proposals.
- c. All proposals should be received at one designated location within the initiating department, and immediately should be stamped with the date and time of receipt.
- d. When appropriate, written selection criteria shall be prepared for each Contract, which shall include price as an important factor to be considered in the selection process. Analysis of the proposals and/or bids submitted and the award of the Contract shall be documented in reasonable detail. Awards to other than the low bidder shall include in such documentation the reason the low bidder was not selected.
- e. The initiator shall ensure that documentation related to proposals and/or bids and awards are maintained for not less than two years after completion of the services contracted for.

#### 401. Advertisement Requirements

The solicitation of bids, proposals or submissions of qualification data for Personal Service contracts shall be made by the Authority in a manner determined by an authorized Officer of the Authority to be the most cost effective for providing reasonable competition for the Authority's Personal Service contracts while also promoting State business enterprises where

possible, practical, feasible and consistent with open bidding. This may include advertisement in appropriate newspapers or trade journals, direct mailings to firms considered qualified and such other outreach mechanisms as are consistent with the policy of these Guidelines and as directed in section 2879 of the Public Authorities Law. Notice of Procurement Contracts opportunities must also be advertised in the State's New York State Contract Reporter.

402. Term

All contracts for Personal Services shall be limited to a maximum of one year unless the Authority Directors by resolution determine that a longer period for a particular contract is in the best interest of the Authority. Contracts for legal services and financial advice services shall not be longer than five years, including the initial contract period and any contract extensions approved by the Directors of the Authority.

403. Waiver of Selection Criteria

Procurement Contracts may be awarded without notice being published in the New York State Contract Reporter to persons/firms on a sole source or single source basis only on the written approval of the Executive Director or the Directors of NIFA. That approval will only be granted where the initiator can demonstrate:

- a. Emergency or other extraordinary circumstances exist which make competition impracticable or inappropriate; or
- b. Only one source for the goods or services is available; or
- c. Specialized services are required for which a certain person/firm's expertise is unique or such person/firm has greatly superior qualifications to perform the services at a cost that is determined to be fair and reasonable.

The initiator shall ensure that documentation related to the reason for awarding the contract on a sole source or single source basis and for not publishing notice in the New York State Contract Reporter is maintained for not less than two years after completion of the services contracted for.

404. Approval Process

The NIFA Directors shall approve the award of all Procurement Contracts for Personnel Services, regardless of the amount of said contract.

## ARTICLE V

### SELECTION OF VENDORS AND SUPPLIERS FOR THE PURCHASE OF GOODS

501. Except as provided by the Act, State law, rules or regulations, in the procurement of furniture, equipment, supplies and other goods for the Authority, the Authority shall perform the following tasks:
- a. Establish a realistic furniture, equipment and supplies budget.
  - b. Place advertisements for goods and service in the same manner as described in 401 of these Guidelines.
  - c. Perform a comparative pricing and cost analysis for each item needed, including prices of those items, which are available through the State Office of General Service contracts.
  - d. Prepare contracts and/or purchase orders for the acquisition of all commodities. Use of State contracts is preferable when the items are available at lower costs.
  - e. Monitor vendors for quality control and timely deliveries.
  - f. Verify the quantities received and the quality of the products in light of the specifications, and monitor the vendor invoices for timely payments.
  - g. If the estimated cost of the goods exceeds \$15,000 or more, a competitive bidding procedure will be followed.

## ARTICLE VI

### MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISE PARTICIPATION

601. The Authority shall, in order to promote the use of minority and women-owned enterprises in Procurement Contracts, solicit offers from minority and women-owned business enterprises known to have experience in the area of the goods or service to be provided, all in accordance with the NIFA Act and State and Federal laws and regulations.

## ARTICLE VII

### POLICIES TO PROMOTE THE PARTICIPATION BY NEW YORK BUSINESS ENTERPRISES AND NEW YORK STATE RESIDENTS IN PROCUREMENT CONTRACTS

701. The Authority shall comply with the Act and the State Omnibus Procurement Law when applicable.

## ARTICLE VIII

### PROVISIONS MADE A PART OF SERVICE CONTRACTS

801. Provisions to be contained in Personal Service contracts shall include but not be limited to:
- a. Scope of services;
  - b. Contract price or fee structure;
  - c. Method or basis of payment;
  - d. Use of the Authority's supplies;
  - e. Use of the Authority's personnel
  - f. Term of the contract; and
  - g. The Authority's Schedule A, "Conditions Applicable to NIFA Agreements with Law Firms and other Consultants" which Schedule is made a part of these Guidelines.

## ARTICLE IX

### PROCUREMENT CONTRACTS WITH FORMER OFFICERS OR EMPLOYEES OF THE AUTHORITY

901. The Authority may not enter into Procurement Contracts with former Officers or employees of the Authority or former employees of New York State who provided services to the Authority, where such Contracts would be in contravention of law, would create a conflict of interest or may create the appearance of impropriety.

## ARTICLE X

### REPORTS TO THE DIRECTORS CONCERNING PROCUREMENT CONTRACTS

1001. The Authority shall annually prepare for approval by the Directors and public availability a report on Procurement Contracts as of the end of each fiscal year summarizing procurement activity by the Authority for the period of the report, including a listing of all Contracts entered into, the selection process used to select such Contractors and the status of existing Procurement Contracts. NIFA's Executive Director shall also prepare, on an annual basis, a report for submission to:

- a. The Division of Budget;
- b. The Department of Audit and Control;
- c. The Senate Finance Committee;
- d. The Assembly Ways and Means Committee;
- e. The Department of Economic Development; and
- f. Members of the public (upon receipt of reasonable requests therefore),

which shall include the Guidelines, amendments thereto, and an explanation thereof.

## ARTICLE XI

### ANNUAL REVIEW AND APPROVAL OF GUIDELINES

*1101. The Directors shall annually review and approve these Guidelines.*

## ARTICLE XII

### AMENDMENT OF GUIDELINES

1201. The Authority may, from time to time, amend by resolution, these Guidelines.

## ARTICLE XIII

### EFFECT OF NONCOMPLIANCE WITH GUIDELINES

1301. Failure by the Authority to comply with provisions of these Guidelines shall not be deemed to alter, affect the validity of, modify the terms of or impair any contract or agreement for the procurement of goods or services.

Attachment: Schedule A

## SCHEDULE A

### **CONDITIONS APPLICABLE TO NIFA AGREEMENTS WITH LAW FIRMS AND OTHER CONSULTANTS (COLLECTIVELY, "CONSULTANT")**

"NIFA" IS THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

## **ARTICLE I**

### **RELATION OF CONSULTANT TO NIFA**

**1.1**           **SUPERVISION BY NIFA.** The services to be performed by Consultant under this Agreement shall be subject to the general supervision and direction of NIFA provided that neither NIFA's exercise nor failure to exercise such supervision and direction shall relieve the Consultant of any of its obligations or responsibilities for its acts or failure to act pursuant to this Agreement.

**1.2**           **CONSULTANT'S PERSONNEL.** The Consultant shall designate in writing to NIFA one individual, satisfactory to NIFA, who shall be responsible for coordinating all of the services to be rendered by the Consultant and who shall be NIFA's normal point of contact with the Consultant on matters relating to such services. Such individual shall be replaced upon NIFA's written request.

**1.3**           **APPROVAL OF SUBCONSULTANTS.** The Consultant shall not employ, contract with or use the services of any consultant, special contractors, or other third parties (collectively "Subconsultant") in connection with the performance of its obligations under this Agreement without the prior written consent of NIFA. The Consultant shall inform NIFA in writing of the name, proposed service to be rendered, and compensation of the Subconsultant, and of any interest it may have in the proposed Subconsultant.

**1.4**           **CONSULTANT AS INDEPENDENT CONTRACTOR.** Notwithstanding any other provisions of this Agreement, the Consultant's status (and that of any Subconsultant) shall be that of an independent contractor and not that of an agent or employee of NIFA. Accordingly, neither the Consultant nor any Subconsultant shall hold itself out as, or claim to be acting in the capacity of an employee, or agent of NIFA.

**1.5**           **CONFLICT-OF-INTEREST.** The Consultant represents that:

(a)       The Consultant has not now, and will not acquire, any interest, direct or indirect, present or prospective, in the project to which the Consultant's work relates or the real estate which is the subject of the project, or in the immediate vicinity thereof and has not employed and will not knowingly employ in connection with work to be performed hereunder, any person or entity having any such interest during the term of this Agreement.

(b) No officer, employee, agent or director of NIFA, or any of its subsidiaries shall be admitted to any share or part hereof or to any benefit to arise here from.

(c) No officer, employee, agent or director of NIFA, or any of its subsidiaries shall participate in any decision relating to this Agreement which affects his personal interest or the interests of any corporation, partnership, or association in which he is directly or indirectly interested; nor shall any officer, agent, director or employee of NIFA, or any of its subsidiaries have any interest, direct or indirect, in this Agreement or the proceedings thereof.

## ARTICLE II

### **DOCUMENTS AND RECORDS**

**2.1** **MAINTENANCE OF RECORDS.** The Consultant shall, until three years after completion of its services hereunder or termination of this Agreement by NIFA, maintain and shall require each Subconsultant to maintain (a) complete and correct records of time spent by Consultant (and Subconsultant) in the performance of its obligations under this Agreement and (b) complete and correct books and records relating to all out-of-pocket expenses incurred under this Agreement, including, without limitation, accurate cost and accounting records specifically identifying the costs incurred by Consultant (and Subconsultant) in performing such obligations. Said time records shall specify the dates and numbers of hours or portions thereof spent by Consultant (and Subconsultant) in performing its obligations hereunder. Consultant shall make such books and records available to NIFA or its authorized representatives for review and audit at all such reasonable times as NIFA shall from time to time request. Consultant shall submit duplicate copies of time records and substantiation of out-of-pocket expenses at the time of submission of Consultant invoices in accordance with this Agreement.

**2.2** **OWNERSHIP OF DOCUMENTS AND OTHER MATERIALS.** All originals and negatives of all plans, drawings, reports, photographs, charts, programs, models, specimens, specifications, and other documents or materials required to be furnished by the Consultant under this Agreement including drafts and reproduction copies thereof, shall be and remain the exclusive property of NIFA, and NIFA shall have the right to publish, transfer, sell, license and use all or any part of such reports, plans, drawings, specification and other documents without payment of any additional royalty, charge or other compensation to Consultant. Upon request of NIFA during any stage of the work, Consultant shall deliver all such material to NIFA.

The Consultant agrees that it shall not publish, transfer, license or, except in connection with carrying out its obligations under this Agreement, use or reuse all or any part of such reports and other documents, including working papers, without the prior written approval of NIFA, except that Consultant may retain copies of such reports and other documents for general reference use.

## ARTICLE III

### TERMINATION

**3.1** OPTIONAL TERMINATION BY NIFA. NIFA at anytime, in its sole discretion, may terminate this Agreement or postpone, delay, all or any part of the Agreement upon written notice to the Consultant. In the event of such termination, postponement, or delay, NIFA shall pay the Consultant for reasonable professional time and out-of-pocket expenses incurred by Consultant to the date notice of such action is received by Consultant. The Consultant agrees to cause any agreement or contract entered into by Consultant with any Subconsultant to provide for an optional termination by Consultant similar to the provision of this Section 3.1.

## ARTICLE IV

### PROVISIONS REQUIRED BY LAW

**4.1** CONSULTANT TO COMPLY WITH LEGAL REQUIREMENTS. The Consultant in performing its obligations and in preparing all documents required under this Agreement shall comply with all material applicable laws and regulations. All provisions required by such laws and regulations to be included in this Agreement shall be deemed to be included in this Agreement with the same effect as if set forth in full.

**4.2** CONSULTANT TO OBTAIN PERMITS, ETC. Except as otherwise instructed in writing by NIFA, the Consultant shall obtain and comply with all legally required licenses, consents, approvals, orders, authorizations, permits, restrictions, declarations and filings required to be obtained by NIFA or the Consultant in connection with this Agreement.

**4.3** NON-DISCRIMINATION.

The Consultant during the performance of this Agreement, specifically agrees that the Consultant will not discriminate against any employee or applicant for employment because of race, creed, color, sex, national origin, age, disability or marital status.

**4.4** NO ASSIGNMENT WITHOUT CONSENT. The Consultant agrees that:

(a) It is prohibited from assigning, transferring or otherwise disposing of this Agreement, or of its rights or interests therein, or its power to execute such agreement to any person, company, partnership, or corporation, without the previous written consent of NIFA;

(b) If the prohibition of Section 4.4(a) be violated, NIFA may revoke and annul this Agreement and NIFA shall be relieved from any and all liability and obligations thereunder to the Consultant and to the person, company, partnership or corporation to whom such

assignment, transfer or other disposal shall have been made and the Consultant and such assignee or transferee shall forfeit and lose all the money theretofore earned under this Agreement.

## ARTICLE V

### OTHER STANDARD PROVISIONS

**5.1**            **GOVERNING LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of New York.

**5.2**            **ENTIRE AGREEMENT/AMENDMENT.** This Agreement constitutes the entire Agreement between the parties hereto and no statement, promise, condition, understanding, inducement, or representation, oral or written, expressed or implied, which is not contained herein shall be binding or valid and this Agreement shall not be changed, modified or altered in any manner except by an instrument in writing executed by the parties hereto.

**5.3**            **CONFIDENTIALITY.** Consultant hereby agrees that all data, recommendations, reports and other materials developed in the course of this study are strictly confidential between Consultant and NIFA and Consultant may not at any time reveal or disclose such data, recommendations or reports in whole or in part to any third party without first obtaining permission from NIFA, other than as required by law. Notwithstanding the preceding sentence, Consultant shall cooperate fully with such third parties as NIFA may designate by written request. Such cooperation shall include making available to such parties, data, information and reports used or developed by Consultant in connection with this study.

**5.4**            **INDEMNIFICATION.** Notwithstanding anything to the contrary contained herein, Consultant shall be responsible for all injuries to persons, including death, or damage to property sustained while performing or resulting from the work under this Agreement, if and to the extent the same results from any act, omission, negligence, fault or default of Consultant or Subconsultants, or their employees, agents, servants, independent contractors or subcontractors retained by Consultant pursuant to this Agreement. Consultant agrees to defend, indemnify and hold the Indemnitees (the State of New York and NIFA) harmless from any and all claims, judgments and liabilities, including but not limited to, claims, judgments and liabilities for injuries to persons (including death) and damage to property, if and to the extent the same results from any act, omission, negligence, fault or default of Consultant or its Subconsultants, or their agents, employees, servants, independent contractors and subcontractors and from any claims against, or liability incurred by the indemnities by reason of claims against Consultant or its Subconsultants, or their employees, agents, servants, independent contractors and subcontracts for any matter whatsoever in connection with the services performed under this Agreement, including, but not limited to, claims for compensation, injury or death, and agree to reimburse the indemnities for reasonable attorneys' fees incurred in connection with the above. Consultant shall be solely responsible for the safety and protection of all its Subconsultants,

or the employees, agents, servants, independent contractors, or subcontractors of Consultant or its Subconsultants, and shall assume all liability for injuries, including death, that may occur to said persons due to the negligence, fault or default of Consultant, its Subconsultants, or their respective agents, employees, servants, independent contractors or subcontractors.

This Article shall survive the expiration or earlier termination of this Agreement.

**5.5**            **MISCELLANEOUS.** The parties hereto agree that this Schedule A shall be controlling in the event of any inconsistencies or conflicts between the terms of this Schedule A and any part of the Agreement.

## **ARTICLE VI**

### **BILLING POLICY**

**6.1**            **INVOICES.** The Consultant is required to submit detailed documentation in support of Consultant's request for reimbursement. All invoices and their accompanying documentation must be forwarded to:

Treasurer  
Nassau County Interim Finance Authority  
170 Old Country Road, Suite 205  
Mineola, New York 11501

Invoices shall be made on the Consultants own invoice forms or letterhead and must include NIFA's contract and project numbers, if any. Consultant shall also include federal identification number with their first invoice, and a list of each individual who is expected regularly to bill time to this matter, his/her title and hourly billing rate. Invoices shall be in the form attached to this Schedule A. Time shall be billed on a 1/10<sup>th</sup> of an hour basis.

**6.2**            **REIMBURSABLE EXPENSES.**

Consultant's monthly invoices should present out-of-pocket expenses on a daily, itemized basis, grouped by general category. The Consultant must submit supporting documentation for each individual expense item over \$250. Out-of-pocket expenses will be reimbursed only in accordance with the attached **SCHEDULE OF MAXIMUM REIMBURSEMENT ALLOWANCES FOR NIFA AGREEMENTS WITH LAW FIRMS AND OTHER CONSULTANTS.**

**6.3**            **NON-REIMBURSABLES.**

The following will not be reimbursed:

- a)      Flight insurance
- b)      Valet Services (except five or more consecutive days)
- c)      Personal expenses of any type
- d)      Expenses paid for NIFA employees
- e)      Travel to any NIFA office to "deliver vouchers or pick up check".

**6.4**            **NO REIMBURSEMENT FOR SALES TAX CHARGES**

NIFA is a public benefit corporation and as such is exempt from all sales and use taxes in New York State. NIFA will not reimburse the Consultant for sales or use taxes over \$10.00 incurred in connection with the contract. If the Consultant will make purchases of goods or services that involve sales or use taxes in excess of that amount, the Consultant must, in advance of making such purchases, obtain a sales tax certification from NIFA so that no such taxes are incurred.

**6.5**            **GENERAL.**

- (a)      All receipts must be legible. Illegible receipts will not be reimbursed.
- (b)      Whenever possible original receipts should be presented for reimbursement.

At any time or times until three years after completion of Consultant's services or earlier termination of this Agreement by NIFA, NIFA may have the vouchers and statements of cost audited. Each payment theretofore made shall be subject to reduction for amounts included in the related voucher, which are found by NIFA on the basis of such audit, not to constitute allowable cost. Any such payment may be reduced for overpayments or increased for underpayment, as the case may be.

[CONSULTANT LETTERHEAD]

Date  
Bill # \_\_\_\_\_  
NIFA Contract No: \_\_\_\_

To: Nassau County Interim Finance Authority  
Attention: General Counsel and Chief Financial Officer

Matter Name/No.: \_\_\_\_\_

**FOR PROFESIONAL FEES**

<u>Date</u>	<u>Hours*</u>	<u>Fees**</u>	<u>Description of Services</u>
-------------	---------------	---------------	--------------------------------

\* Billing on 1/10th of an hour.  
\*\* # of hours x the applicable rate.

**CHARGES AND DISBURSEMENTS (grouped by category):**

<u>Date</u>	<u>Description</u>	<u>Amount</u>
-------------	--------------------	---------------

TOTAL CHARGES AND DISBURSEMENTS \$

TOTAL FOR FEES AND CHARGES AND DISBURSEMENTS: \$

Certified as true and correct \_\_\_\_\_  
Vendor/Title

NIFA internal approval \_\_\_\_\_  
Name Title Date

Attachment to Schedule A

**SCHEDULE OF MAXIMUM REIMBURSEMENT ALLOWANCES FOR  
NIFA AGREEMENTS WITH LAW FIRMS AND OTHER CONSULTANTS**

Consultant will be reimbursed for the following types of expenses at the following maximum rates. Reimbursable expenses must be billed currently and in any event within 60 days of being incurred:

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<b><u>TYPE OF EXPENSE</u></b>	<b><u>RATE OF REIMBURSEMENT</u></b>
Secretarial	None (unless overtime)
Word Processing	None (unless overtime and then up to \$50/hr)
Local Telephone Expenses	None
Taxis or Private Cars	Actual cost up to \$70; amounts over \$50 must be submitted for approval on a case-by-case basis. Mileage reimbursement for private cars is reimbursed at the rate set by the Internal Revenue Service.
Meal Charges	Actual cost of evening or overtime meals in the office up to \$30 and reasonable cost of outside catering service for meetings. No reimbursements for breakfast or lunch.
Time Spent Preparing Bills	None
Long Distance Telephone	Actual cost
Photocopying	Firm's standard rate, up to \$.25/page; Actual cost if out-sourced.
Fax Transmission	None for incoming faxes; Firm's standard rate, up to \$1.00/page for outgoing faxes
Computer Research	Actual cost (no overhead) and only as needed and deemed cost effective.
Out-of-Town Travel	Reasonable expenses, to be submitted for approval, in advance, on a case-by-case basis.

Postage and Overnight Mail

None for individual letters;  
FedEx and other special delivery services will be  
reimbursed at actual cost

Messenger Service

Actual cost up to \$15.

## **Property Disposition Report**

No less frequently than annually, the Contracting Officer shall prepare and submit to the Directors a report which summarizes all Property Disposition Contracts and entered into for the period of the report, which report will include a list of all Property Disposition Contracts, the process used to sell or dispose of any Property and the consideration and/or other benefits received or paid therefore, the name of the purchaser for all such property sold by the Authority, and the status of all existing Property Disposition Contracts.

For purposes of this Report the following defined terms shall apply:

"Dispose" or "disposal" shall mean transfer of title or any other beneficial interest in personal or real property in accordance with these guidelines.

"Property" shall mean personal property in excess of five thousand dollars in value, real property, and any inchoate or other interest in such property owned by the Authority, to the extent that such interest may be conveyed to another person for any purpose, excluding an interest securing a loan or other financial obligation of another party.

"Property Disposition Contracts" shall mean written agreements for the sale, lease, transfer or other disposition of Property.

"Real Property" shall mean real property and interests therein.

Based upon the foregoing definitions, there have been no Property Disposition Contracts for calendar year 2008.

**CODE OF ETHICS**  
**OF THE**  
**NASSAU COUNTY INTERIM FINANCE AUTHORITY**

Adopted, May 4, 2006  
Readopted and Amended, May 2, 2007  
Readopted June 18, 2008

Nassau County Interim Finance Authority  
170 Old Country Road (Suite 205)  
Mineola, New York 11501

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# NASSAU COUNTY INTERIM FINANCE AUTHORITY CODE OF ETHICS

## I. Introduction

The Nassau County Interim Finance Authority (the "Authority"), as a public entity, has a responsibility for maintaining the highest level of honesty, ethical conduct and public trust in all of its activities. To meet this responsibility the Authority is adopting this Code of Ethics to address important aspects of ethical conduct.

Authority Employees are entitled to privacy in their personal affairs. At the same time, as employees of a public entity, Authority Employees are responsible for conducting Authority business solely in the public interest.

This Code of Ethics applies to the Authority's Employees, including Directors, and Former Employees. This Code of Ethics is divided into the following areas: (1) introduction (2) definitions used in this Code of Ethics, (3) standards of ethical conduct, (4) use of material, nonpublic and confidential information (5) restrictions on post-employment activities, (6) certification of absence of conflict of interest, (7) requests for interpretation, clarification and waiver of this Code of Ethics, and (8) remedies for breaches of this Code of Ethics.

This Code of Ethics states in specific form the Authority's position on conflicts of interest. Personal integrity is the cornerstone of this Code of Ethics. Each Employee has the primary responsibility for avoiding Financial Interests and Other Interests, which create a conflict with his or her job.

In a case where any Employee, regardless of level or job assignment, believes his or her Financial Interest or involvement in a Transaction might present a conflict of interest, the Employee must immediately notify his or her supervisor and disqualify himself or herself from involvement in the Transaction until advised in writing that he or she may continue to be involved in the Transaction.

Upon the request of an Employee's supervisor, the General Counsel of the Authority may advise the supervisor whether an existing or prospective Transaction involving the Employee would create a possible conflict of interest.

Any person, who has a question as to whether a prospective personal or business Transaction or assumption of a position of responsibility or trust would be a violation of this Code of Ethics, may request in writing an advance determination on the matter from the Authority's General Counsel pursuant to Section VIII of this Code of Ethics.

This Code will be reviewed and updated as necessary with a copy distributed to each Employee.

## II. Definitions

The following definitions apply to this Code of Ethics.

- A. "Authority" means the Nassau County Interim Finance Authority.
- B. "Benefit" means any gain or advantage to, or reduction in the liabilities of, the beneficiary and includes any gain or advantage to, or reduction in the liabilities of, a third person pursuant to the desire or consent of the beneficiary.
- C. "Confidential Information" means information which is available to an Employee only because of his or her status as an Employee of the Authority and is not a matter of public knowledge.
- D. "County" means Nassau County, New York.
- E. "Dependent Child" means a son, daughter, stepson or stepdaughter of an Employee, who is either: (1) unmarried, under age 21, and is living in the household of the Employee or (2) a "dependent" of the Employee within the meaning of section 152 of the Internal Revenue Code of 1954.
- F. "Employee" means, for the purpose of this Code of Ethics, any person employed by the Authority, and any Director.
- G. "Employee's Independent Business" means, for the purposes of Section III (B) (6) of this Code of Ethics, a firm or association of which an (1) Employee, or an Employee's Spouse or Dependent Child is a member, or (2) a corporation, 10% or more of the stock of which is owned or controlled directly or indirectly by such Employee or an Employee's Spouse or Dependent Child. This definition shall exclude any employee of a governmental public entity.
- G. "Family Member" means any person living in the same household as the Employee, and any person related to the Employee within the third degree of consanguinity or affinity.
- I. "Financial Interest" means:
1. Ownership of an interest, either active or passive (e.g., stock ownership), or involvement in a relationship from which or as a result of which there has been received within the past 12 months, or there is an entitlement to receive in any future year, more than \$1,000 or its equivalent;
  2. Ownership of an interest in a business or real property which interest (a) has a market value in excess of \$5,000, (b) reflects a 10 percent ownership of the business, or (c) in the case of an Employee or an Employee's Spouse or Dependent Child, constitutes 25 percent of the net worth of the person owning such interest, or the combined net worth of the Employee and his or her Spouse and Dependent Child. This excludes an interest in the Employee's primary personal residence. In determining the value of an interest, debts, mortgages, liens or other encumbrances thereon are to be disregarded; or

3. Liability or indebtedness to a person or business in excess of \$5,000, excluding liabilities owed to relatives and excluding mortgages, liens or other encumbrances on or secured by real property which is the Employee's primary personal residence or furniture or appliances therein.

J. "Former Employee" means persons other than Directors who are no longer Employees of the Authority but were Employees in the time period following the effective date of this Code of Ethics.

K "Gift" means a payment, advance, forbearance, rendering, or deposit of money, or any thing of value, unless the donor receives consideration of equal or greater value.

L. "Key Employee" means any Employee who (1) receives annual compensation in excess of the filing rate established by paragraph (1) of § 73-a of the Public Officers Law,\* or (2) holds a policy-making position as determined annually by the Authority and filed with the State Ethics Commission.\*\*

M. "Other Interest" means holding a position in a business such as an officer, director, trustee, partner, proprietor, executor, employee, or a position of management, or acting as a consultant, agent or representative therefore in any capacity.

N. "Spouse" means the married partner of an Employee (1) who has not received a decree of permanent separation from such Employee or (2) who is not living separate and apart from the reporting Employee with the intention of terminating the marriage or providing for permanent separation.

O. "Trading" means, in reference to securities, the buying and selling of securities (including bonds or notes), or the buying and selling of options, calls, puts, or any other right relating to a security.

P. "Transaction" means buying, selling, renting (as lessor or lessee), or otherwise acquiring or disposing of services, materials, supplies, equipment, or property having a value of one hundred dollars or more or an interest having a value of one hundred dollars or more in such services, materials, supplies, equipment or property; borrowing or investment of money; preparing, requisitioning, ordering, approving, advising on, administering or otherwise acting in reference to the performance of a contract having a value of one hundred dollars or more; or the promulgation of rules and regulations affecting such activities.

\* **As of the August 1, 2006, this level is \$74,621;**

\*\* **A list of the Employees who hold policy making positions at the Authority is attached hereto as Appendix C.**

### **III. Standards and Principles of Conduct**

The following standards and principles of conduct are to be followed to assure compliance with this Code of Ethics. A breach of these standards and principles constitutes a violation of this Code of Ethics.

#### **A. General Standards and Principles**

1. An Employee shall not have any interest or incur any obligation, financial or otherwise, direct or indirect, or engage in any business or Transaction or professional activity, which is in conflict with the proper discharge of his or her duties in the public interest.

2. An Employee shall avoid any action, whether or not specifically prohibited by this Code of Ethics, which might result in or create the appearance of:

- (a) using his or her official position for private gain;
- (b) giving preferential treatment to any person, including himself or herself;
- (c) lacking independence or impartiality;
- (d) affecting adversely the confidence of the public in the integrity of the Authority; or
- (e) violating any provision of this Code of Ethics.

3. No Employee shall use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself or herself or others.

4. An Employee shall not by his or her conduct give reasonable basis for the impression that any person may improperly influence him or her or unduly enjoy his or her favor in the performance of his or her official duties, or that he or she is affected by the kinship, rank, position or influence of any party or person.

#### **B. Specific Standards and Principles**

1. No Employee shall be involved in any Transaction as representative or agent of the Authority with, or be involved in any evaluation of, any business entity in which the Employee, the Employee's Spouse or Dependent Child has a direct or indirect Financial Interest that might reasonably tend to conflict with the proper discharge of his or her official duties. Prior to becoming involved in any Transaction as representative or agent of the Authority with, or becoming involved in any evaluation of, a business entity in which the Employee, the Employee's Spouse or Dependent Child holds a Financial Interest, the Employee, the Employee's Spouse or Dependent Child must sell or transfer such Financial Interest.

2. No Employee, Employee's Spouse or Dependent Child shall acquire, except by Gift, inheritance or the dissolution of a trust, any Financial Interest in any business entity which the Employee has reason to believe may be directly involved in decisions to be made by him or her which will create conflict between his or her duty in the public interest and his or her private interest. If an Employee, an Employee's Spouse or Dependent Child receives such a Financial Interest by Gift, inheritance,

operation of an automatic dividend reinvestment plan or the dissolution of a trust, the interest shall be promptly sold or transferred. If an Employee's Spouse or Dependent Child receives or retains such a Financial Interest in violation of the foregoing provisions, it will be deemed to be a violation by the Employee of this provision.

3. No Employee shall (1) accept employment which will impair his or her independence of judgment in the exercise of his or her official duties, including employment by Nassau County or any Covered Organization under the NIFA Act, or which involves a matter in which the Authority has a substantial interest, or (2) receive or enter into any agreement for any compensation for the appearance or rendition of services against the interest of the Authority in relation to any case, proceeding, or matter.

4. If any Employee shall have a Financial Interest, either direct or indirect, in any Transaction to which the Authority is, or is to be, a party, such interest shall be promptly disclosed in writing to the General Counsel of the Authority.

5. No Employee shall accept employment or engage in any business, which will require him or her to disclose Confidential Information which he or she has gained by reason of his or her official position or authority.

6. No Employee shall disclose confidential information acquired by him or her in the course of his or her official duties nor use such information to further his or her personal interests.

7. No Employee, Employee's Spouse or Dependent Child, or an Employee's Independent Business shall (1) sell any goods or services having a value in excess of twenty-five dollars to the Authority, or (2) contract for or provide such goods or services with or to any private entity where the power to contract, appoint or retain on behalf of such private entity is exercised, directly or indirectly, by the Authority or any of its officers, unless such goods or services are provided pursuant to an award of contract let after public notice and competitive bidding. If an Employee's Spouse or Dependent Child engages in the conduct described in the preceding sentence, it will be deemed to be a violation by the Employee of this provision.

8. (a) No Employee may take part in any hiring or employment decision relating to a Family Member. If a hiring or employment matter arises relating to a Family Member, then the Employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

(b) No Employee may take part in any contracting decision: (i) relating to a Family Member; or (ii) relating to any entity in which a Family Member is an officer, director or partner, or in which a Family Member owns or controls 10% or more of the stock of such entity. If a contracting matter arises relating to a Family Member, then the Employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

9. (a) No Employee, Employee's Spouse or Dependent Child shall, directly or indirectly, solicit, accept or receive any Gift having a value of \$75 or more, whether in the form of money, service, loan, meal payment, travel, entertainment, hospitality, thing, or promise, or in any other form, from any person or entity:

(1) which is regulated by, negotiates with, appears before on other than a ministerial matter, does business with or seeks to do business with or has contracts with the Authority (including, but not limited to, vendors, bidders, proposers, contractors, subcontractors or consultants), as well as anyone, whether or not a registered lobbyist, who attempts to influence the Authority's decisions; or

(2) under circumstances in which it could reasonably be inferred that the Gift was intended to influence the Employee, or could reasonably be expected to influence the Employee in the performance of the Employee's official duties, or was intended as a reward for any official action on the Employee's part.

(a) An Employee, and an Employee's Spouse or Dependent Child may not receive within a single calendar year, two or more Gifts of the type identified in paragraph (a) above, which individually are worth less than \$75 but in the aggregate equal or exceed \$75.

(b) An Employee may not solicit, accept or receive a gift of any value if to do so would constitute a substantial conflict with the proper discharge of his or her duties in the public interest.

(c) If an Employee's Spouse or Dependent Child engages in the conduct prohibited by paragraph (a) or (b) above, it will be deemed to be a violation by the Employee of such provisions.

10. Employees should review and familiarize themselves with the prohibition set forth in Executive Order No. 1 (Establishment of Ethical Conduct Guidelines) and Executive Order No. 2 (Eliminating Politics from Government Decision-making), which are attached as Appendices to these Guidelines and incorporated herein. Any conflicts between these Guidelines or the NIFA Employee Handbook and the aforementioned Executive Orders, shall be determined in favor of the Executive Orders.

#### C. Applicable New York Law

These standards do not replace and are in addition to the requirements of law, particularly Sections 73 and 74 of the New York Public Officers Law, which, among other things, govern the business activities of Authority Employees and set forth the State Code of Ethics.

Copies of Sections 73 and 74 of the Public Officers Law are attached to and made a part of this Code of Ethics as Appendices A and B, respectively.

#### **IV Use of Material, Nonpublic and Confidential Information**

It is the policy of the Authority to prohibit all Employees from (1) trading in securities (which includes municipal bonds or notes) based on material, nonpublic information derived from or relating to Authority activities and (2) disclosing confidential information to unauthorized third parties

#### A. Trading of Securities Based on Material, Nonpublic Information

1. Employees shall not trade in bonds or other securities issued by the Authority based on material, nonpublic information derived from any source or from disclosing such information for the purpose of allowing third parties to profit from trading in Authority securities.
2. Employees shall not trade in stocks, bonds or other securities issued by other business entities based on material, nonpublic information obtained in the course of their duties for the Authority and shall not disclose such information for the purpose of allowing others to profit from trading in securities issued by other business entities based on such information.

Information is material if there is a substantial likelihood that a reasonable investor would consider the information important in making his or her investment decision concerning the securities in question.

Information is nonpublic if, in the case of Authority securities, it has not been publicly disseminated by the Authority. Information is nonpublic if, in the case of securities issued by other business entities, it has not been publicly disseminated by those business entities.

#### Disclosure or Use of Confidential Information

Employees shall not disclose confidential information obtained in the course of their duties at the Authority to any third party not authorized to receive such information and shall not profit from the use of such information.

Information is confidential if it has been expressly designated as confidential or should be treated as confidential because of the nature of, or circumstances surrounding, such information. If an Employee has a question concerning the confidential status of any information, he or she should consult with General Counsel regarding such information.

Employees who violate the provisions of this section may be subject to civil and criminal penalties under Federal and state laws, including fines and/or imprisonment. In addition, Employees who violate the provisions of this section may be subject to disciplinary action by the Authority, including termination of employment.

### **VI. Restrictions on Post-Employment Activities of Former Employees**

The post-employment activities of persons who are Former Employees are governed by the restrictions set forth in Section 73 of the Public Officers Law, attached hereto as Appendix A.

## **VII. Certification of Absence of Conflict of Interest**

All Employees are required to certify that they have read this Code of Ethics and that they have no conflict of interest. The Certification Form is attached hereto as Appendix E. These certifications shall be submitted to the Human Resources Department.

Any Employee who knowingly fails to complete, sign and submit the required Certification Form violates this Code of Ethics and may be subject to disciplinary action.

## **VIII. Requests for Interpretation, Clarification or Waiver of This Code of Ethics**

### **A. Interpretation and Clarification**

An Employee may submit a written request to the General Counsel for an interpretation or clarification of the provisions of this Code of Ethics.

### **B. Waivers**

An Employee may submit a written request to the Chairman of the Authority for a waiver of any restriction contained in this Code of Ethics. All waiver requests shall include a description of the nature of the restriction or prohibition for which waiver is sought; the nature of the Employee's interest involved; the effect on the Employee or the Authority of the restriction or prohibition for which the waiver is sought; and the reasons why the waiver should be granted.

## **IX. Remedies for Breaches of This Code of Ethics**

In addition to any other remedies, civil or otherwise, which the Authority may have, an Employee or Former Employee who violates this Code of Ethics may be disciplined under this Code of Ethics. Remedies or disciplinary action may be imposed only upon the basis of a written statement of findings and recommendations by the General Counsel, and may include one or more of the following:

1. Issuance of written warnings;
2. Direction of corrective action to eliminate the conflict of interest;
3. Restitution;
4. Changes in assigned duties or suspension or termination of employment; provided, however, that only the Chairman shall impose said remedies.

A Former Employee found to have violated this Code of Ethics is subject to one or more of the following: written warnings; termination of existing Transactions involving the individual in question to the extent permitted by law; disqualification or suspension from future Transactions of the Former Employee and/or the person on whose behalf he or she is participating in Transactions with the Authority; and notification to appropriate persons that a conflict exists.

**APPENDIX A**  
**Section 73 of the New York Public Officers Law**

PUBLIC OFFICERS LAW  
ARTICLE 4. POWERS AND DUTIES OF PUBLIC OFFICERS  
NY CLS Pub O § 73 (2008)

§ 73. Business or professional activities by state officers and employees and party  
Officers

1. As used in this section:

(a) The term "compensation" shall mean any money, thing of value or financial benefit conferred in return for services rendered or to be rendered. With regard to matters undertaken by a firm, corporation or association, compensation shall mean net revenues, as defined in accordance with generally accepted accounting principles as defined by the state ethics commission or legislative ethics committee in relation to persons subject to their respective jurisdictions.

(b) The term "licensing" shall mean any state agency activity, other than before the division of corporations and state records in the department of state, respecting the grant, denial, renewal, revocation, enforcement, suspension, annulment, withdrawal, recall, cancellation or amendment of a license, permit or other form of permission conferring the right or privilege to engage in (i) a profession, trade, or occupation or

(ii) any business or activity regulated by a regulatory agency as defined herein, which in the absence of such license, permit or other form of permission would be prohibited.

(c) The term "legislative employee" shall mean any officer or employee of the legislature but it shall not include members of the legislature.

(d) The term "ministerial matter" shall mean an administrative act carried out in a prescribed manner not allowing for substantial personal discretion.

(e) The term "regulatory agency" shall mean the banking department, insurance department, state liquor authority, department of agriculture and markets, department of education, department of environmental conservation, department of health, division of housing and community renewal, department of state, other than the division of corporations and state records, department of public service, the industrial board of appeals in the department of labor and the department of law, other than when the attorney general or his agents or employees are performing duties specified in section sixty-three of the executive law.

(f) The term "representative capacity" shall mean the presentation of the interests of a client or other person pursuant to an agreement, express or implied, for compensation for services.

(g) The term "state agency" shall mean any state department, or division, board, commission, or bureau of any state department, any public benefit corporation, public authority or commission at least one of whose members is appointed by the governor, or the state university of New York or the city university of New York, including all their constituent units except community colleges of

the state university of New York and the independent institutions operating statutory or contract colleges on behalf of the state.

(h) The term "statewide elected official" shall mean the governor, lieutenant governor, comptroller or attorney general.

(i) The term "state officer or employee" shall mean:

(i) heads of state departments and their deputies and assistants other than members of the board of regents of the university of the state of New York who received no compensation or are compensated on a per diem basis;

(ii) officers and employees of statewide elected officials;

(iii) officers and employees of state departments, boards, bureaus, divisions, commissions, councils or other state agencies other than officers of such boards, commissions or councils who receive no compensation or are compensated on a per diem basis; and

(iv) members or directors of public authorities, other than multi-state authorities, public benefit corporations and commissions at least one of whose members is appointed by the governor, who receive compensation other than on a per diem basis, and employees of such authorities, corporations and commissions.

(j) The term "city agency" shall mean a city, county, borough or other office, position, administration, department, division, bureau, board, commission, authority, corporation or other agency of government, the expenses of which are paid in whole or in part from the city treasury, and shall include the board of education, the board of higher education, school boards, city and community colleges, community boards, the New York city transit authority, the New York city housing authority and the Triborough bridge and tunnel authority, but shall not include any court or corporation or institution maintaining or operating a public library, museum, botanical garden, arboretum, tomb, memorial building, aquarium, zoological garden or similar facility.

(k) The term "political party chairman" shall mean:

(i) the chairman of the state committee of a party elected as provided in section 2-112 of the election law and his or her successor in office;

(ii) the chairman of a county committee elected as provided in section 2-112 of the election law and his or her successor in office from a county having a population of three hundred thousand or more or who receives compensation or expenses, or both, during the calendar year aggregating thirty thousand dollars or more; and

(iii) that person (usually designated by the rules of a county committee as the "county leader" or "chairman of the executive committee") by whatever title designated, who pursuant to the rules of a county committee or in actual practice, possesses or performs any or all of the following duties or roles, provided that such person was elected from a county having a population of three hundred thousand or more or was a person who received compensation or expenses, or both, from constituted committee or political committee funds, or both, during the reporting period aggregating thirty thousand dollars or more:

(A) the principal political, executive and administrative officer of the county committee;

(B) the power of general management over the affairs of the county committee;

(C) the power to exercise the powers of the chairman of the county committee as provided for in the rules of the county committee;

(D) the power to preside at all meetings of the county executive committee, if such a committee is created by the rules of the county committee or exists de facto, or any other committee or subcommittee of the county committee vested by such rules with or having de facto the power of general management over the affairs of the county committee at times when the county committee is not in actual session;

(E) the power to call a meeting of the county committee or of any committee or subcommittee vested with the rights, powers, duties or privileges of the county committee pursuant to the rules of the county committee, for the purpose of filling an office at a special election in accordance with section 6-114 of the election law, for the purpose of filling a vacancy in accordance with section 6-116 of such law; or

(F) the power to direct the treasurer of the party to expend funds of the county committee.

The terms "constituted committee" and "political committee", as used in this paragraph (k), shall have the same meanings as those contained in section 14-100 of the election law.

(l) A person has a "financial interest" in any entity if that person:

(i) owns or controls ten percent or more of the stock of such entity (or one percent in the case of a corporation whose stock is regularly traded on an established securities exchange); or

(ii) serves as an officer, director or partner of that entity.

(m) The "relative" of any individual shall mean any person living in the same household as the individual and any person who is a direct descendant of that individual's grandparents or the spouse of such descendant.

2. In addition to the prohibitions contained in subdivision seven hereof, no statewide elected official, state officer or employee, member of the legislature or legislative employee shall receive, or enter into any agreement express or implied for, compensation for services to be rendered in relation to any case, proceeding, application, or other matter before any state agency, whereby his compensation is to be dependent or contingent upon any action by such agency with respect to any license, contract, certificate, ruling, decision, opinion, rate schedule, franchise, or other benefit; provided, however, that nothing in this subdivision shall be deemed to prohibit the fixing at any time of fees based upon the reasonable value of the services rendered.

3. (a) No statewide elected official, member of the legislature, legislative employee, full-time salaried state officer or employee shall receive, directly or indirectly, or enter into any agreement express or implied for, any compensation, in whatever form, for the appearance or rendition of services by himself or another against the interest of the state in relation to any case, proceeding, application or other matter before, or the transaction of business by himself or another with, the court of claims.

(b) No state officer or employee who is required to file an annual statement of financial disclosure pursuant to the provisions of section seventy-three-a of this article, and is not otherwise subject to the provisions of this section, shall receive, directly or indirectly, or enter into any agreement express or implied, for any compensation, in whatever form, for the appearance or rendition of services by himself or another against the interest of the state agency by which he is employed or

affiliated in relation to any case, proceeding, application or other matter before, or the transaction of business by himself or another with, the court of claims.

4. (a) No statewide elected official, state officer or employee, member of the legislature, legislative employee or political party chairman or firm or association of which such person is a member, or corporation, ten per centum or more of the stock of which is owned or controlled directly or indirectly by such person, shall (i) sell any goods or services having a value in excess of twenty-five dollars to any state agency, or (ii) contract for or provide such goods or services with or to any private entity where the power to contract, appoint or retain on behalf of such private entity is exercised, directly or indirectly, by a state agency or officer thereof, unless such goods or services are provided pursuant to an award or contract let after public notice and competitive bidding. This paragraph shall not apply to the publication of resolutions, advertisements or other legal propositions or notices in newspapers designated pursuant to law for such purpose and for which the rates are fixed pursuant to law.

(b) No political party chairman of a county wholly included in a city with a population of more than one million, or firm or association of which such person is a member, or corporation, ten per centum or more of the stock of which is owned or controlled directly or indirectly by such person, shall (i) sell any goods or services having a value in excess of twenty-five dollars to any city agency, or (ii) contract for or provide such goods or services with or to any private entity where the power to contract, appoint or retain on behalf of such private entity is exercised directly or indirectly, by a city agency or officer thereof, unless such goods or services are provided pursuant to an award or contract let after public notice and competitive bidding. This paragraph shall not apply to the publication of resolutions, advertisements or other legal propositions or notices in newspapers designated pursuant to law for such purpose and for which the rates are fixed pursuant to law.

(c) For purposes of this subdivision, the term "services" shall not include employment as an employee.

5. No statewide elected official, state officer or employee, individual whose name has been submitted by the governor to the senate for confirmation to become a state officer or employee, member of the legislature or legislative employee shall, directly or indirectly [fig 1] :

(a) solicit, accept or receive any gift having more than a nominal value [fig 1] ,whether in the form of money, service, loan, travel, lodging, meals, refreshments, entertainment, [fig 2] discount, forbearance or promise, or in any other form, under circumstances in which it could reasonably be inferred that the gift was intended to influence him, or could reasonably be expected to influence him, in the performance of his official duties or was intended as a reward for any official action on his part. No person shall, directly or indirectly, offer or make any such gift to a statewide elected official, or any state officer or employee, member of the legislature or legislative employee under such circumstances.

(b) solicit, accept or receive any gift, as defined in section one-c of the legislative law, from any person who is prohibited from delivering such gift pursuant to section one-m of the legislative law

unless under the circumstances it is not reasonable to infer that the gift was intended to influence him; or

(c) permit the solicitation, acceptance, or receipt of any gift, as defined in section one-c of the legislative law, from any person who is prohibited from delivering such gift pursuant to section one-m of the legislative law to a third party including a charitable organization, on such official's designation or recommendation or on his or her behalf, under circumstances where it is reasonable to infer that the gift was intended to influence him.

5-a. (a) For the purpose of this subdivision only, the term "honorarium" shall mean any payment made in consideration for any speech given at a public or private conference, convention, meeting, social event, meal or like gathering.

(b) No statewide elected official or head of any civil department shall, directly or indirectly, solicit, accept or receive any honorarium while holding such elected office or appointed position.

(c) No member of the legislature or legislative employee shall, directly or indirectly, solicit, accept or receive any honorarium while holding such elected office or employment, other than honorarium paid in consideration for a speech given on a topic unrelated to the individual's current public employment or as earned income for personal services that are customarily provided in connection with the practice of a bona fide business, trade or profession, such as teaching, practicing law, medicine or banking, unless the sole or predominant activity thereof is making speeches.

6. (a) Every legislative employee not subject to the provisions of section seventy three-a of this chapter shall, on and after December fifteenth and before the following January fifteenth, in each year, file with the legislative ethics committee established by section eighty of the legislative law a financial disclosure statement of

(1) each financial interest, direct or indirect of himself, his spouse and his unemancipated children under the age of eighteen years in any activity which is subject to the jurisdiction of a regulatory agency or name of the entity in which the interest is had and whether such interest is over or under five thousand dollars in value.

(2) every office and directorship held by him in any corporation, firm or enterprise which is subject to the jurisdiction of a regulatory agency, including the name of such corporation, firm or enterprise.

(3) any other interest or relationship which he determines in his discretion might reasonably be expected to be particularly affected by legislative action or in the public interest should be disclosed.

(b) Copies of such statements shall be open [fig 1] for public inspection and copying.

(c) Any such legislative employee who knowingly and willfully with intent to deceive makes a false statement or gives information which he knows to be false in any written statement required to be filed pursuant to this subdivision, shall be assessed a civil penalty in an amount not to exceed ten thousand dollars. Assessment of a civil penalty shall be made by the legislative ethics committee in accordance with the provisions of subdivision twelve of section eighty of the legislative law. For a violation of this subdivision, the committee may, in lieu of a civil penalty,

refer a violation to the appropriate prosecutor and upon conviction, but only after such referral, such violation shall be punishable as a class A misdemeanor.

7. (a) No statewide elected official, or state officer or employee, other than in the proper discharge of official state or local governmental duties, or member of the legislature or legislative employee, or political party chairman shall receive, directly or indirectly, or enter into any agreement express or implied for, any compensation, in whatever form, for the appearance or rendition of services by himself or another in relation to any case, proceeding, application or other matter before a state agency where such appearance or rendition of services is in connection with:

- (i) the purchase, sale, rental or lease of real property, goods or services, or a contract there for, from, to or with any such agency;
- (ii) any proceeding relating to rate making;
- (iii) the adoption or repeal of any rule or regulation having the force and effect of law;
- (iv) the obtaining of grants of money or loans;
- (v) licensing; or
- (vi) any proceeding relating to a franchise provided for in the public service law.

(b) No political party chairman in a county wholly included in a city having a population of one million or more shall receive, directly or indirectly, or enter into any agreement express or implied for, any compensation, in whatever form, for the appearance or rendition of services by himself or another in relation to any case, proceeding, application or other matter before any city agency where such appearance or rendition of services is in connection with:

- (i) the purchase, sale, rental or lease of real property, goods or services, or a contract there for, from, to or with any such agency;
- (ii) any proceeding relating to ratemaking;
- (iii) the adoption or repeal of any rule or regulation having the force and effect of law;
- (iv) the obtaining of grants of money or loans;
- (v) licensing. For purposes of this paragraph, the term "licensing" shall mean any city agency activity respecting the grant, denial, renewal, revocation, enforcement, suspension, annulment, withdrawal, recall, cancellation or amendment of a license, permit or other form of permission conferring the right or privilege to engage in (i) a profession, trade, or occupation or (ii) any business or activity regulated by a regulatory agency of a city agency which in the absence of such license, permit or other form of permission would be prohibited; and
- (vi) any proceeding relating to a franchise.

(c) Nothing contained in this subdivision shall prohibit a statewide elected official, or a state officer or employee, unless otherwise prohibited, or a member of the legislature or legislative employee, or political party chairman, from appearing before a state agency in a representative capacity if such appearance in a representative capacity is in connection with a ministerial matter.

(d) Nothing contained in this subdivision shall prohibit a member of the legislature, or a legislative employee on behalf of such member, from participating in or advocating any position in any matter in an official or legislative capacity, including, but not limited to, acting as a public advocate whether or not on behalf of a constituent. Nothing in this paragraph shall be construed to limit the application of the provisions of section seventy-seven of this chapter.

(e) Nothing contained in this subdivision shall prohibit a state officer or employee from appearing before a state agency in a representative capacity on behalf of an employee organization in any matter where such appearance is duly authorized by an employee organization.

(f) Nothing contained in this subdivision shall prohibit a political party chairman from participating in or advocating any matter in an official capacity.

(g) Nothing contained in this subdivision shall prohibit internal research or discussion of a matter, provided, however, that the time is not charged to the client and the person does not share in the net revenues generated or produced by the matter.

(h) Nothing contained in this subdivision shall prohibit a state officer or employee, unless otherwise prohibited, from appearing or rendering services in relation to a case, proceeding, application or transaction before a state agency, other than the agency in which the officer or employee is employed, when such appearance or rendition of services is made while carrying out official duties as an elected or appointed official, or employee of a local government or one of its agencies.

8. (a) (i) No person who has served as a state officer or employee shall within a period of two years after the termination of such service or employment appear or practice before such state agency or receive compensation for any services rendered by such former officer or employee on behalf of any person, firm, corporation or association in relation to any case, proceeding or application or other matter before such agency.

(ii) No person who has served as a state officer or employee shall after the termination of such service or employment appear, practice, communicate or otherwise render services before any state agency or receive compensation for any such services rendered by such former officer or employee on behalf of any person, firm, corporation or other entity in relation to any case, proceeding, application or transaction with respect to which such person was directly concerned and in which he or she personally participated during the period of his or her service or employment, or which was under his or her active consideration.

(iii) [Until Dec 31, 2008] No person who has served as a member of the legislature shall within a period of two years after the termination of such service receive compensation for any services on behalf of any person, firm, corporation or association to promote or oppose, directly or indirectly, the passage of bills or resolutions by either house of the legislature. No legislative employee who is required to file an annual statement of financial disclosure pursuant to the provisions of section seventy-three-a of this chapter shall during the term of office of the legislature in which he or she was so employed, receive compensation at any time during the remainder of such term after leaving the employ of the legislature for any services on behalf of any person, firm, corporation or association to promote or oppose, directly or indirectly, the passage of bills or resolutions by either house of the legislature in relation to any matter with respect to which such person was directly concerned and in which he personally participated during the period of his service or employment. A legislative employee who acted primarily in a supervisory capacity in such matter and who was not personally involved in the development, negotiation or implementation of the matter to an important and material degree, may, with the approval of the legislative ethics committee, receive such compensation and perform such services.

(iii) [Eff Dec 31, 2008] No person who has served as a member of the legislature shall within a period of two years after the termination of such service receive compensation for any services on behalf of any person, firm, corporation or association to promote or oppose, directly or indirectly, the passage of bills or resolutions by either house of the legislature. No legislative employee [fig 1] shall within a period of two years after the termination of such service receive compensation for any services on behalf of any person, firm, corporation or association to appear, practice or directly communicate before either house of the legislature to promote or oppose the passage of bills or resolutions by either house of the legislature.

(iv) No person who has served as an officer or employee in the executive chamber of the governor shall within a period of two years after termination of such service appear or practice before any state agency.

(b)

(i) The provisions of subparagraph (i) of paragraph (a) of this subdivision shall not apply to any state officer or employee whose employment was terminated on or after January first, nineteen hundred ninety-five and before April first, nineteen hundred ninety-nine because of economy, consolidation or abolition of functions, curtailment of activities or other reduction in the state work force. On or before the date of such termination of employment, the state agency shall provide to the terminated employee a written certification that the employee has been terminated because of economy, consolidation or abolition of functions, curtailment of activities or other reduction in the state work force, and that such employee is covered by the provisions of this paragraph. The written certification shall also contain a notice describing the rights and responsibilities of the employee pursuant to the provisions of this section. The certification and notice shall contain the information and shall be in the form set forth below:

CERTIFICATION AND NOTICE

TO: Employee's Name: -----

State agency: -----

Date of Termination: -----

I, (name and title) of (state agency), hereby certify that your termination from State service is because of economy, consolidation or abolition of functions, curtailment of activities or other reduction in the State work force. Therefore, you are covered by the provisions of paragraph (b) of subdivision eight of section seventy-three of the Public Officers Law.

You were designated as a policy maker: YES ----- NO -----

-----  
(TITLE)

TO THE EMPLOYEE:

This certification affects your right to engage in certain activities after you leave state service. Ordinarily, employees who leave State service may not, for two years, appear or practice before their former agency or receive compensation for rendering services on a matter before their former agency. However, because of this certification, you may be exempt from this restriction.

If you were not designated as a Policymaker by your agency, you are automatically exempt. You may, upon leaving State service, immediately appear, practice or receive compensation for services rendered before your former agency.

If you were designated as a Policymaker by your agency, you are eligible to apply for an exemption to the State Ethics Commission at 39 Columbia Street, Albany, New York 12207.

Even if you are or become exempt from the two year bar, the lifetime bar of there volving door statute will continue to apply to you. You may not appear, practice, communicate or otherwise render services before any State agency in relation to any case, proceeding, application or transaction with respect to which you were directly concerned and in which you personally participated during your State service, or which was under your active consideration.

If you have any questions about the application of the post-employment restrictions to your circumstances, you may contact the State Ethics Commission at (518) 432-8207 or 1-800-87ETHIC (1-800-873-8442).

(ii) The provisions of subparagraph (i) of this paragraph shall not apply to any such officer or employee who at the time of or prior to such termination had served in a policymaking position as determined by the appointing authority, which determination had been filed with the state ethics commission, provided that such officer or employee may so appear or practice or receive such compensation with the prior approval of the state ethics commission. In determining whether to grant such approval the state ethics commission shall consider:

- A. whether the employee's prior job duties involved substantial decision making authority over policies, rule or contracts;
- B. the nature of the duties to be performed by the employee for the prospective employer;
- C. whether the prospective employment is likely to involve substantial contact with the employee's former agency and the extent to which any such contact is likely to involve matters where the agency has the discretion to make decisions based on the work product of the employee;
- D. whether the prospective employment may be beneficial to the state or the public; and
- E. the extent of economic hardship to the employee if the application is denied.

(c) The provisions of paragraph (b) of this subdivision shall not apply to employees whose employment has been discontinued as a result of retirement or to employees who, prior to termination, have declined to exercise a right to another position with a state agency unless such position would require the employee to travel more than thirty-five miles in each direction to the new position or accept a reduction in base salary of more than ten per centum.

(d) Nothing contained in this subdivision shall prohibit any state agency from adopting rules concerning practice before it by former officers or employees more restrictive than the requirements of this subdivision.

(e) This subdivision shall not apply to any appearance, practice, communication or rendition of services before any state agency, or either house of the legislature, or to the receipt of

compensation for any such services, rendered by a former state officer or employee or former member of the legislature or legislative employee, which is made while carrying out official duties as an elected official or employee of a federal, state or local government or one of its agencies.

(f) Nothing in this subdivision shall be deemed to prevent a former state officer or employee who was employed on a temporary basis to perform routine clerical services, mail services, data entry services or other similar ministerial tasks, from subsequently being employed by a person, firm, corporation or association under contract to a state agency to perform such routine clerical services, mail services, data entry services or other similar ministerial tasks; provided however, this paragraph shall in no event apply to any such state officer or employee who was required to file an annual statement of financial disclosure pursuant to section seventy-three-a of this article.

(g) Notwithstanding the provisions of subparagraphs (i) and (ii) of paragraph (a) of this subdivision, a former state officer or employee may contract individually, or as a member or employee of a firm, corporation or association, to render services to any state agency when the agency head certifies in writing to the state ethics commission that the services of such former officer or employee are required in connection with the agency's efforts to address the state's year 2000 compliance problem.

(h) Notwithstanding the provisions of subparagraphs (i) and (ii) of paragraph (a) of this subdivision, a former state officer or employee may contract individually, or as a member or employee of a firm, corporation or association, to render services to any state agency when the agency head certifies in writing to the state ethics commission that the services of such former officer or employee are required in connection with the agency's response to a disaster emergency declared by the governor pursuant to section twenty-eight of the executive law.8-a. The provisions of subparagraphs (i) and (ii) of paragraph (a) of subdivision eight of this section shall not apply to any such former state officer or employee engaged in any of the specific permitted activities defined in this subdivision that are related to any civil action or proceeding in any state or federal court, provided that the attorney general has certified in writing to the state ethics commission, with a copy to such former state officer or employee, that the services are rendered on behalf of the state, a state agency, state officer or employee, or other person or entity represented by the attorney general, and that such former state officer or employee has expertise, knowledge or experience which is unique or outstanding in a field or in a particular matter or which would otherwise be generally unavailable at a comparable cost to the state, a state agency, state officer or employee, or other person or entity represented by the attorney general in such civil action or proceeding. In those instances where a state agency is not represented by the attorney general in a civil action or proceeding in state or federal court, a former state officer or employee may engage in permitted activities provided that the general counsel of the state agency, after consultation with the state ethics commission, provides to the state ethics commission a written certification which meets the requirements of this subdivision. For purposes of this subdivision the term "permitted activities" shall mean generally any activity performed at the request of the attorney general or the attorney general's designee, or in cases where the state agency is not represented by the attorney general, the general counsel of such state agency, including without limitation:

(a) preparing or giving testimony or executing one or more affidavits;

- (b) gathering, reviewing or analyzing information, including documentary or oral information concerning facts or opinions, attending depositions or participating in document review or discovery;
- (c) performing investigations, examinations, inspections or tests of persons, documents or things;
- (d) performing audits, appraisals, compilations or computations, or reporting about them;
- (e) identifying information to be sought concerning facts or opinions; or
- (f) otherwise assisting in the preparation for, or conduct of, such litigation.

Nothing in this subdivision shall apply to the provision of legal representation by any former state officer or employee.

8-b. [n1]Notwithstanding the provisions of subparagraphs (i) and (ii) of paragraph

(a) of subdivision eight of this section, a former state officer or employee may contract individually, or as a member or employee of a firm, corporation or association, to render services to any state agency if, prior to engaging in such service, the agency head certifies in writing to the state ethics commission that such former officer or employee has expertise, knowledge or experience with respect to a particular matter which meets the needs of the agency and is otherwise unavailable at a comparable cost. Where approval of the contract is required under section one hundred twelve of the state finance law, the comptroller shall review and consider the reasons for such certification. The state ethics commission must review and approve all certifications made pursuant to this subdivision.8-b. [n2]Notwithstanding the provisions of subparagraphs (i) and (ii) of paragraph(a) of subdivision eight of this section, a former state officer or employee who, prior to his or her separation from state service, was employed as a health care professional and, in conjunction with his or her state duties, provided treatment and/or medical services to individuals residing in or served by a state-operated facility is not barred from rendering services to such individuals in their care prior to leaving state service, at the state-operated facility which employed the former state officer or employee.

9. No party officer while serving as such shall be eligible to serve as a judge of any court of record, attorney-general or deputy or assistant attorney-general or solicitor general, district attorney or assistant district attorney. As used in this subdivision, the term "party officer" shall mean a member of a national committee, an officer or member of a state committee or a county chairman of any political party.

10. Nothing contained in this section, the judiciary law, the education law or any other law or disciplinary rule shall be construed or applied to prohibit any firm, association or corporation, in which any present or former statewide elected official, state officer or employee, or political party chairman, member of the legislature or legislative employee is a member, associate, retired member, of counsel or shareholder, from appearing, practicing, communicating or otherwise rendering services in relation to any matter before, or transacting business with a state agency, or a city agency with respect to a political party chairman in a county wholly included in a city with a population of more than one million, otherwise proscribed by this section, the judiciary law, the education law or any other law or disciplinary rule with respect to such official, member of the legislature or officer or employee, or political party chairman, where such statewide elected official, state officer or employee, member of the legislature or legislative employee, or political

party chairman does not share in the net revenues, as defined in accordance with generally accepted accounting principles by the state ethics commission or by the legislative ethics committee in relation to persons subject to their respective jurisdictions, resulting there from, or, acting in good faith, reasonably believed that he or she would not share in the net revenues as so defined; nor shall anything contained in this section, the judiciary law, the education law or any other law or disciplinary rule be construed to prohibit any firm, association or corporation in which any present or former statewide elected official, member of the legislature, legislative employee, full-time salaried state officer or employee or state officer or employee who is subject to the provisions of section seventy-three-a of this chapter is a member, associate, retired member, of counsel or shareholder, from appearing, practicing, communicating or otherwise rendering services in relation to any matter before, or transacting business with, the court of claims, where such statewide elected official, member of the legislature, legislative employee, full-time salaried state officer or employee or state officer or employee who is subject to the provisions of section seventy-three-a of this chapter does not share in the net revenues, as defined in accordance with generally accepted accounting principles by the state ethics commission or by the legislative ethics committee in relation to persons subject to their respective jurisdictions, resulting there from, or, acting in good faith, reasonably believed that he or she would not share in the net revenues as so defined.

11. Notwithstanding any provision of the judiciary law, the education law or any other law or disciplinary rule to the contrary:

(a) Conduct authorized pursuant to subdivision eight of this section by a person who has served as a member of the legislature or as a legislative employee shall not constitute professional misconduct or grounds for disciplinary action of any kind;

(b) No member of the legislature or former member of the legislature shall be prohibited from appearing, practicing, communicating or otherwise rendering services in relation to any matter before, or transacting business with, any state agency solely by reason of any vote or other action by such member or former member in respect to the confirmation or election of any member, commissioner, director or other person affiliated with such state agency, but nothing in this paragraph shall limit the prohibition contained in subdivision eight of this section;

(c) The appearance, practice, communication or rendition of services in relation to any matter before, or transaction of business with a state agency, or with the court of claims, or the promotion or opposition to the passage of bills or resolutions by either house of the legislature, by a member, associate, retired member, of counselor shareholder of a firm, association or corporation, in accordance with subdivision ten of this section, is hereby authorized and shall not constitute professional misconduct or grounds for disciplinary action of any kind solely by reason of the professional relationship between the statewide elected official, state officer or employee, political party chairman, member of the legislature, or legislative employee and any firm, association, corporation or any member, associate, retired member, of counsel, or shareholder thereof, or by reason of the appearance created by any such professional relationship.

12. A statewide elected official, state officer or employee, or a member of the legislature or legislative employee, or political party chairman, who is a member, associate, retired member, of counsel to, or shareholder of any firm, association or corporation which is appearing or rendering services in connection with any case, proceeding, application or other matter listed in paragraph (a) or (b) of subdivisions even of this section shall not orally communicate, with or without

compensation, as to the merits of such cause with an officer or an employee of the agency concerned with the matter.

13. For the purposes of this section, a statewide elected official or state officer or employee or member of the legislature or legislative employee or political party chairman who is a member, associate, retired member, of counsel to, or shareholder of any firm, association or corporation shall not be deemed to have made an appearance under the provisions of this section solely by the submission to a state agency or city agency of any printed material or document bearing his or her name, but unsigned by him or her, such as by limited illustrations the name of the firm, association or corporation or the letterhead of any stationery, which pro forma serves only as an indication that he or she is such a member, associate, retired member, of counsel to, or shareholder.

14. (a) No statewide elected official, state officer or employee, member of the legislature or legislative employee may participate in any decision to hire, promote, discipline or discharge a relative for any compensated position at, for or within any state agency, public authority or the legislature.

(b) This paragraph shall not apply to (i) the hiring of a relative by a legislator with a physical impairment, for the sole purpose of assisting with that impairment, as necessary and otherwise permitted by law; (ii) the temporary hiring of legislative pages, interns and messengers; or (iii) responding to inquiries with respect to prospective hires related to an individual covered by this paragraph.

15. No statewide elected official, state officer or employee, member of the legislature or legislative employee shall:

(a) participate in any state contracting decision involving the payment of more than one thousand dollars to that individual, any relative of that individual, or any entity in which that individual or any relative has a financial interest; or

(b) participate in any decision to invest public funds in any security of any entity in which that individual or any relative of that individual has a financial interest, is an underwriter, or receives any brokerage, origination or servicing fees.

16. (a) No statewide elected official, state officer or employee involved in the awarding of state grants or contracts may ask a current or prospective grantee or contractor, or any officer, director or employee thereof, to disclose: (i) the party affiliation of such grantee or contractor, or any officer, director or employee thereof;

(ii) whether such grantee or contractor, or any officer, director or employee thereof, has made campaign contributions to any party, elected official, or candidate for elective office; or (iii) whether such grantee or contractor, or any officer, director or employee thereof, cast a vote for or against any elected official, candidate or political party.

(b) No statewide elected official or state officer or employee may award or decline to award any state grant or contract, or recommend, promise or threaten to do so, in whole or in part, because of a current or prospective grantee's or contractor's refusal to answer any inquiry prohibited by paragraph (a) of this subdivision, or giving or withholding or neglecting to make any contribution of money or service or any other valuable thing for any political purpose.

17. (a) No statewide elected official, or state officer or employee may during the consideration of an employment decision ask any applicant for public employment to disclose: (i) the political party affiliation of the applicant; (ii) whether the applicant has made campaign contributions to any party, elected official, or candidate for elective office; or (iii) whether the applicant cast a vote for or against any elected official, candidate or political party. The provisions of this paragraph shall not apply where (1) such inquiry is necessary for the proper application of any state law or regulation; or (2) such inquiry is consistent with publicly disclosed policies or practices of any state agency or public authority, whose purpose is to ensure the representation of more than one political party on any multi-member body.

(b) No statewide elected official or state officer or employee may decline to hire or promote, discharge, discipline, or in any manner change the official rank or compensation of any state official or employee, or applicant for employment, or promise or threaten to do so, based upon a refusal to answer any inquiry prohibited by paragraph (a) of this subdivision, or for giving or withholding or neglecting to make any contribution of money or service or any other valuable thing for any political purpose.

(c) No state officer or employee shall, directly or indirectly, use his or her official authority to compel or induce any other state officer or employee to make or promise to make any political contribution, whether by gift of money, service or other thing of value.

18. In addition to any penalty contained in any other provision of law, any person who knowingly and intentionally violates the provisions of subdivisions two through five [fig 1] , seven, eight [fig 2] , twelve or fourteen through seventeen of this section shall be subject to a civil penalty in an amount not to exceed [fig 3] forty thousand dollars and the value of any gift, compensation or benefit received in connection with such violation. Assessment of a civil penalty hereunder shall be made by the state [fig 4] oversight body with jurisdiction over such person. A state oversight body acting pursuant to its jurisdiction, may, in lieu of a civil penalty, with respect to a violation of subdivisions two through five [fig 5] , seven or eight of this section, refer a violation of any such subdivision to the appropriate prosecutor and upon such conviction [fig 6] such violation shall be punishable as a class A misdemeanor.

**APPENDIX B**  
**Section 74 of the New York Public Officers Law**

**PUBLIC OFFICERS LAW**  
**ARTICLE 4. POWERS AND DUTIES OF PUBLIC OFFICERS**  
**NY CLS Pub O § 74 (2008)**  
**§ 74. Code of ethics**

1. Definition. As used in this section: The term "state agency" shall mean any state department, or division, board, commission, or bureau of any state department or any public benefit corporation or public authority at least one of whose members is appointed by the governor or corporations closely affiliated with specific state agencies as defined by paragraph (d) of subdivision five of section fifty-three-a of the state finance law or their successors.

The term "legislative employee" shall mean any officer or employee of the legislature but it shall not include members of the legislature.

2. Rule with respect to conflicts of interest. No officer or employee of a state agency, member of the legislature or legislative employee should have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of his duties in the public interest.

3. Standards.

a. No officer or employee of a state agency, member of the legislature or legislative employee should accept other employment which will impair his independence of judgment in the exercise of his official duties.

b. No officer or employee of a state agency, member of the legislature or legislative employee should accept employment or engage in any business or professional activity which will require him to disclose confidential information which he has gained by reason of his official position or authority.

c. No officer or employee of a state agency, member of the legislature or legislative employee should disclose confidential information acquired by him in the course of his official duties nor use such information to further his personal interests.

d. No officer or employee of a state agency, member of the legislature or legislative employee should use or attempt to use his official position to secure unwarranted privileges or exemptions for himself or others.

e. No officer or employee of a state agency, member of the legislature or legislative employee should engage in any transaction as representative or agent of the state with any business entity in which he has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his official duties.

f. An officer or employee of a state agency, member of the legislature or legislative employee should not by his conduct give reasonable basis for the impression that any person can improperly influence

him or unduly enjoy his favor in the performance of his official duties, or that he is affected by the kinship, rank, position or influence of any party or person.

g. An officer or employee of a state agency should abstain from making personal investments in enterprises which he has reason to believe may be directly involved in decisions to be made by him or which will otherwise create substantial conflict between his duty in the public interest and his private interest.

h. An officer or employee of a state agency, member of the legislature or legislative employee should endeavor to pursue a course of conduct which will not raise suspicion among the public that he is likely to be engaged in acts that are in violation of his trust.

i. No officer or employee of a state agency employed on a full-time basis nor any firm or association of which such an officer or employee is a member nor corporation a substantial portion of the stock of which is owned or controlled directly or indirectly by such officer or employee, should sell goods or services to any person, firm, corporation or association which is licensed or whose rates are fixed by the state agency in which such officer or employee serves or is employed.

j. [Repealed]

4. Violations. In addition to any penalty contained in any other provision of law any such officer, member or employee who shall knowingly and intentionally violate any of the provisions of this section may be fined, suspended or removed from office or employment in the manner provided by law. Any such individual who knowingly and intentionally violates the provisions of paragraph b, c, d or i of subdivision three of this section shall be subject to a civil penalty in an amount not to exceed ten thousand dollars and the value of any gift, compensation or benefit received as a result of such violation. Any such individual who knowingly and intentionally violates the provisions of paragraph a, e or g of subdivision three of this section shall be subject to a civil penalty in an amount not to exceed the value of any gift, compensation or benefit received as a result of such violation.

## **APPENDIX C**

### **Policy Making Positions of the Nassau County Interim Finance Authority**

Executive Director

Deputy Director

General Counsel

Corporate Secretary

Treasurer

Deputy Treasurer

## APPENDIX D

### Executive Order No. 1

#### ESTABLISHMENT OF ETHICAL CONDUCT GUIDELINES

WHEREAS, government employment is a privilege rather than a right, and is based upon the trust and confidence placed in the State's workers by the public; and

WHEREAS, all State employees therefore must act in a manner consistent with that public trust, and must not take any actions that are intended, or appear to be intended, to achieve personal gain or benefit; and

WHEREAS, employees and officers of State agencies and public authorities are subject to certain ethical statutes and rules, including but not limited to the State Code of Ethics Section 74 of the Public Officers Law, statutory restrictions on business and professional activities Section 73 of the Public Officers Law, and opinions issued by the State Ethics Commission; and

WHEREAS, there are some areas where New York's existing statutes governing ethical standards can and should be improved; and

WHEREAS, until that occurs through legislative action, it is appropriate to take steps to ensure that as many State employees and officers as possible maintain the highest ethical and professional standards;

NOW, THEREFORE, I, Eliot Spitzer, Governor of the State of New York, by virtue of the authority vested in me by the Constitution and the laws of the State of New York do hereby order as follows:

#### 1. Definitions

"Agency" shall mean any state agency, department, office, board, commission or other instrumentality of the State, other than a public authority.

"Public authority" shall mean a public authority or public benefit corporation created by or existing under any State law, at least one of whose members is appointed by the Governor including any subsidiaries of such public authority or public benefit corporation, other than an interstate or international authority or public benefit corporation.

#### 2. Application

This order shall apply to all State agency officers and employees who serve at the pleasure of the Governor or their appointing authority, and to all members of all public authorities who are appointed by the Governor. Each public authority shall adopt policies or rules applying the restrictions set forth below to all officers and employees who serve at the pleasure of their appointing authority.

#### 3. Prohibition Against the Receipt of Gifts

Subject to the conditions set forth below, all individuals covered by this executive order are prohibited from accepting gifts or gratuities of more than nominal value where the circumstances would permit the inference that: a the gift was intended to influence the individual in the performance of official business; or b the gift constituted a tip, reward, or sign of appreciation for any official act by the

employee. This prohibition shall apply notwithstanding Public Officers Law § 73 (5), which provides that gifts up to \$75 may be allowed in certain circumstances.

#### 4. Prohibition Against the Use of State Property

State supplies, equipment, computers, personnel and other resources may not be utilized for non-governmental purposes, including for personal purposes or for outside activities of any kind. This prohibition includes but is not limited to the following:

a. Official stationery may not be used for non-governmental purposes, nor may State government resources be used to mail personal correspondence. The designation "personal" on agency stationery means only that the contents are meant for the personal viewing of the addressee and not that the sender is acting unofficially. All letters and other written materials printed on such official stationery are considered official, and thus the designation "unofficial" has no meaning and may not be used.

b. Under no circumstances may State mail, postage, internal office mail, or inter-city couriers be used for non-governmental purposes.

c. State telephones may not be used for non-governmental long-distance calls, except for toll-free calls, collect calls, and calls billed to a personal telephone number. State telephones may be used for incidental and necessary personal local calls that are of limited number and duration and do not conflict with the proper exercise of the duties of the State employee.

d. State computers may be used for incidental and necessary personal purposes, such as sending personal electronic mail messages, provided that such use is in a limited amount and duration and does not conflict with the proper exercise of the duties of the State employee.

e. State vehicles shall be used for official business or incidental use associated with official business away from an employee's official work station. Individuals who are authorized by their agency or public authority to use a vehicle for personal purposes shall keep records of such use, and the value of such personal use shall be calculated and reported as personal income to such individual for tax purposes.

#### 5. Prohibition Against Nepotism in Hiring and Contracting

a. No individual covered by this order may take part in any hiring or employment decision relating to a family member. If a hiring or employment matter arises relating to a family member, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

b. No individual covered by this order may take part in any contracting decision: (i) relating to a family member; or (ii) relating to any entity in which a family member is an officer, director or partner, or in which a family member owns or controls 10% or more of the stock of such entity. If a contracting matter arises relating to a family member, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

c. For the purposes of this paragraph, the term " family member" shall mean any person living in the same household as the employee, and any person related to the employee within the third degree of consanguinity or affinity.

6. Prohibition Against Executive Chamber Employees Lobbying State Agencies and Public Authorities  
The provisions of Public Officers Law § 738 prohibiting former State officers and employees from appearing or practicing before their former agency for a period of two years shall, with respect to Executive Chamber employees, extend to appearing or practicing before any Executive Branch agency or public authority.

7. Penalties

Any violation of this order may result in dismissal or other appropriate sanction as determined by the appointing authority of the individual committing such violation.

G I V E N under my hand and the  
Privy Seal of the State  
in the City of Albany  
this first day of  
January in the year two  
thousand seven.

BY THE GOVERNOR *Is!* Eliot Spitzer  
/s/ Richard S. Baum

Secretary to the Governor

**APPENDIX E**  
**Executive Order No. 2**

**ELIMINATING POLITICS FROM GOVERNMENT DECISIONMAKING**

WHEREAS, it is essential that the duties and responsibilities of State government be performed in a non-partisan manner; and

WHEREAS, all State employees and officers should feel free to pursue the interests of the public in an environment that is free from political party influence or interference; and

WHEREAS, all State taxpayers and residents and all those who depend on State government services have the right to expect that government programs will be administered and managed with the highest degree of professionalism and without regard to partisan politics; and

WHEREAS, all State employees and officers should be selected based upon their qualifications, integrity, honesty, competency and dedication to fulfilling the public policies of the State, and should not be excluded from State service based solely upon their political affiliations; and

WHEREAS, it is the obligation of every State employee and officer to pursue a course of conduct that will not engender public concern as to whether the individual is engaged in acts that may violate his or her public trust; and

WHEREAS, although certain State laws and rules place limits on political campaign activities of State employees, there are ways in which these laws can be improved and strengthened; and

WHEREAS, until that occurs through legislative action, it is appropriate to take steps to limit, to the greatest extent possible, the influence of politics on government decision making;

NOW, THEREFORE, I, Eliot Spitzer, Governor of the State of New York, by virtue of the authority vested in me by the Constitution and the laws of the State of New York, do hereby order as follows:

1. Definitions

"Agency" shall mean any state agency, department, office, board, commission or other instrumentality of the State, other than a public authority.

"Public authority" shall mean a public authority or public benefit corporation created by or existing under any State law, at least one of whose members is appointed by the Governor (including any subsidiaries of such public authority or public benefit corporation), other than an interstate or international authority or public benefit corporation.

2. Application

This order shall apply to all State agency officers and employees who serve at the pleasure of the Governor or their appointing authority, and to all members of all public authorities who are appointed by the Governor. Each public authority shall adopt policies or rules applying the restrictions set forth below to all officers and employees who serve at the pleasure of their appointing authority.

3. Prohibition Against Campaign Contributions to the Governor and Lieutenant Governor

No individual covered by this executive order may make or offer to make any monetary contribution to the campaign of the Governor or the Lieutenant Governor, or to any political campaign committee organized by or for the specific benefit of the Governor or the Lieutenant Governor. In addition, no individual covered by this executive order may request or demand that any other person make or offer

to make any monetary contribution to the campaign of the Governor or the Lieutenant Governor, or to any political campaign committee organized by or for the specific benefit of the Governor or the Lieutenant Governor.

#### 4. Prohibition Against Consideration of Politics in Employment and Contracting

No individual covered by this executive order who is involved in recruiting, interviewing or hiring applicants for State employment, or making appointments to State boards or commissions, or making promotional, disciplinary or other employment decisions relating to State employees, may ask any such applicant or employee to reveal: (a) the party affiliation of the applicant; (b) whether the applicant has made campaign contributions to any party, elected official, or candidate for elective office; or (c) whether the candidate voted for any elected official or candidate for elective office. The provisions of this paragraph shall not apply to circumstances where such inquiry is necessary for the proper application of State law or approved State agency or public authority rules, policies or practices (e.g., inquiring about party affiliation where State law limits the number of members of a State board who can be from the same party).

No individual covered by this executive order who is involved in the awarding of State grants or contracts, or making decisions relating to State grants or contracts, may ask any officer or director of such current or prospective contractor or grantee to reveal: (a) the party affiliation of the individual; (b) whether the individual or entity has made campaign contributions to any party, elected official, or candidate for elective office; or (c) whether the individual or entity voted for any elected official or candidate for elective office.

#### 5. Prohibition Against Appearances by Candidates in State Advertising

Under no circumstances may any State agency or public authority permit any elected official or any candidate for elective office to appear in any advertisement in any media, including but not limited to television, radio, Internet or print, if such advertisement is paid for, in whole or in part, directly or indirectly, by any State agency or public authority, or if any State agency or public authority resources are utilized in the creation of such advertisement.

#### 6. Prohibition Against Campaigning for State or Federal Office

No commissioner, executive director or other head of any agency or public authority shall seek nomination, designation or election to any compensated federal or state public office, or shall commence a candidacy for such office, unless such individual first resigns from State service or requests and is granted a leave of absence without pay. Such leave, if granted, must commence before such individual engages in any campaign activities, including but not limited to announcing a candidacy, circulating petitions, soliciting contributions, distributing literature, or taking any other action to actively promote oneself as a candidate for elective office.

#### 7. Penalties

Any violation of this order may result in dismissal or other appropriate sanction as determined by the appointing authority of the individual committing such violation.

G I V E N under my hand and the  
Privy Seal of the State  
in the City of Albany  
this first day of January in the year two thousand seven.

BY THE GOVERNOR /s/ Eliot Spitzer

/s/ Richard S. Baum

Secretary to the Governor

## **APPENDIX F**

### **Anti Retaliation Policy**

#### **NASSAU COUNTY INTERIM FINANCE AUTHORITY (“NIFA”) ANTI-RETALIATION POLICY**

##### **A. PRELIMINARY STATEMENT**

The Authority is committed to a professional working environment and the prevention of discrimination, harassment, violence, malfeasance, misconduct, wrongdoing and/or any other unethical conduct in the workplace. The Authority prohibits acts of Retaliation against any Employee or Former Employee who files a complaint, provides information or otherwise assists in an investigation regarding acts of discrimination, harassment, violence, malfeasance, misconduct, wrongdoing and/or unethical behavior in the workplace.

##### **B. SCOPE**

This policy is applicable to all Authority Employees and Former Employees, as defined below, and prohibits Retaliation against any Employee or Former Employee who exercises his/her rights under law and/or as outlined herein. This Anti-Retaliation Policy is not intended to supplant, but rather complement and supplement, existing NIFA policies.

##### **C. DEFINITIONS**

As used in this Anti-Retaliation Policy, the following terms have the following meanings:

1. “Authority” or “NIFA” means the Nassau County Interim Finance Authority.
2. “Code of Ethics and Conduct” means the “Code of Ethics of the Nassau County Interim Finance Authority” dated May 4, 2006, as the same may be amended or supplemented from time to time.
3. "Employee" means any person employed by the Authority and any Director of the Authority.
4. “Employee Handbook” means the policies, principles and procedures established for Employees of the Authority, as periodically updated.
5. “Former Employee” means any person who is no longer an Employee of the Authority.

6. “Retaliation” means acts or omissions taken in response to reports made pursuant to this policy, including but not limited to discrimination, harassment, discharge, demotion, suspension, threats and negative job references.

#### **D. REPORTING**

Employees and Former Employees are encouraged to report, provide information or otherwise assist in the investigation of actual, potential or suspected violations of the Code of Ethics and Conduct, the Employee Handbook and/or any other applicable laws, policies or regulations governing Employee or Former Employee behavior, including this Anti-Retaliation Policy. Early reporting and intervention is encouraged in order to minimize the possibility of continued violations.

Depending on the circumstances, Employees and Former Employees may, in good faith, report alleged violations to the General Counsel, the Executive Director, the NIFA Chairman or the Finance and Internal Controls Committee (each defined as a “Reporting Entity”) either in person, via email or other form of writing. Reports of alleged violations will be kept confidential, except to the extent reasonably necessary to conduct an investigation, as set forth below. Reports may also be made anonymously; however, a lack of sufficient, specific information may adversely affect the ability to conduct a meaningful investigation of the alleged violation.

#### **E. INVESTIGATIONS**

Upon notification of an alleged violation of the law and/or the Authority’s policies and/or regulations governing Employee and Former Employee behavior, including acts of Retaliation, the Reporting Entity will promptly investigate or cause the investigation of such violation, as appropriate under the circumstances. In no event shall any person who is alleged to be involved in the alleged violation or Retaliation supervise or conduct the investigation. The investigation, which will be conducted through interviews with the reporting Employee or Former Employee and/or other Employees or Former Employees, as well as through the required production and review of relevant documentation and such other steps as are determined appropriate by the official conducting or supervising the investigation, will seek to ascertain whether such violation occurred.

Employees alleged to have violated this Anti-Retaliation Policy will be given an opportunity to be heard during the investigation process.

Upon the conclusion of an Investigation, the Reporting Entity shall review the findings of the investigation with the Executive Director (unless he is the subject of the Investigation, in which case the finding shall be discussed directly with the Chairman), and shall promptly make a recommendation to the Chairman as to what disciplinary action, if any, should be taken. Such

recommendation will be communicated to the appropriate supervisor and any other affected Employees, as necessary.

The Authority will maintain a written record of each report and how it was investigated and resolved. The Authority will endeavor to maintain the confidentiality of such written record, to the extent possible and appropriate.

## **F. REMEDIES**

Investigations of violations that are determined to be substantiated, or knowingly false reports of violations under this Anti-Retaliation Policy, will result in disciplinary action, including but not limited to issuance of written warnings, corrective action, restitution, change of employment status, training, counseling, suspension without pay, or termination.

**APPENDIX G**

**Certification Form**

**Please sign & return a copy of this Certification Form to the General Counsel.**

**RECEIPT FOR CERTIFICATION FORM**

This is to acknowledge that I have received a copy of the Code of Ethics and understand that it contains important information on the Authority's policy and on my obligations as an employee.

I acknowledge that I have read the Code of Ethics and that it is intended to give me information about the Code of Ethics policy of the Authority.

I have read and understand the contents of the Code of Ethics. I agree to abide by the conditions specified in this policy and by other rules, practices or procedures that the Authority adopts.

Please sign and date this receipt and return it to the General Counsel.

\_\_\_\_\_  
*Print Name*

\_\_\_\_\_  
*Dated*

\_\_\_\_\_  
*Signature*