# NASSAU COUNTY INTERIM FINANCE AUTHORITY
## 2012 ANNUAL REPORT

### Table of Contents

<table>
<thead>
<tr>
<th>Annual Report</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter from Chairperson Ronald A. Stack</td>
<td>-</td>
</tr>
<tr>
<td>Authority Directors and Staff</td>
<td>1</td>
</tr>
<tr>
<td>NIFA Mission Statement and Introduction</td>
<td>2</td>
</tr>
<tr>
<td>Directors, Management and Continuing Operation</td>
<td>3</td>
</tr>
<tr>
<td>Initiatives and Accomplishments in 2012</td>
<td>6</td>
</tr>
<tr>
<td>NIFA Roles and Responsibilities</td>
<td>9</td>
</tr>
<tr>
<td>Additional Information</td>
<td>15</td>
</tr>
<tr>
<td>Appendix A</td>
<td>16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reports of the Authority Tab</th>
<th>Tab</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authority Report on Debt Issuance</td>
<td>1</td>
</tr>
<tr>
<td>Audited Financial Statements for Year Ended December 31, 2011</td>
<td>2</td>
</tr>
<tr>
<td>Independent Auditor’s Compliance Report on Investment Policies and Procedures</td>
<td>2</td>
</tr>
<tr>
<td>Authority Report on Investments</td>
<td>3</td>
</tr>
<tr>
<td>Authority Prompt Payment Report</td>
<td>4</td>
</tr>
<tr>
<td>Authority Procurement Contracts Guidelines Report</td>
<td>5</td>
</tr>
<tr>
<td>Authority Property Disposition Report</td>
<td>6</td>
</tr>
<tr>
<td>Authority Mission Statement and Measurement Report</td>
<td>7</td>
</tr>
<tr>
<td>Authority Code of Ethics</td>
<td>8</td>
</tr>
<tr>
<td>Authority Act</td>
<td>9</td>
</tr>
<tr>
<td>Authority By-Laws</td>
<td>10</td>
</tr>
</tbody>
</table>
June 5, 2013

The Honorable Andrew M. Cuomo
Governor of the State of New York
State Capitol
Albany, NY 12224

Dear Governor Cuomo:

Attached is the Annual Report of the Nassau County Interim Finance Authority (“NIFA”) for the year ending December 31, 2012.

In June 2000, the NIFA Act was passed by the State Legislature and signed into law by the Governor. The Act was the key element of a road map for Nassau County to improve its fiscal difficulties. Since its inception, NIFA has worked with the County Executive, Legislature, Comptroller and their staffs to develop plans, identify actions, and monitor progress toward achieving long-term structural balance. In addition to $105 million of direct assistance NIFA has also provided the County with other monetary assistance of approximately $400 million, which includes: 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.

At the end of 2012, NIFA had approximately $1.4 billion in bonds outstanding and was rated in the highest rating category by Standard & Poor’s (AAA) and Fitch (AAA), and the second highest rating category by Moody’s (Aa1). The final maturity of NIFA’s 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.

On January 26, 2011, following an extensive review and analysis, the NIFA Directors made a determination that the County’s 2011 Budget contained a significant level of risk and declared a Control Period, as defined by the NIFA Act, upon finding a likelihood and imminence of a major operating funds deficit, of more than one percent. The Control Period continued through 2012 and is in existence at the time of this writing.

On March 24, 2011, following a review of the County’s revised plan submission, the NIFA Directors determined that a wage freeze was essential to the County’s adoption and maintenance of its FY 2011 budget. Furthermore, the NIFA Directors declared a Fiscal Crisis, as defined in the Act, and resolved to impose a wage freeze pursuant to the
Authority’s enabling legislation. The wage freeze was reenacted in March of 2012 and March of 2013.

The most immediate challenge facing the County is to balance its budget and Multi-Year Financial Plan. 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,

Ronald A. Stack
Chairperson

Encl.

cc:
Temporary President and Majority Coalition Leader Dean Skelos
Temporary President and IDC Coalition Leader Jeffrey D. Klein
Assembly Speaker Sheldon Silver
State Comptroller Thomas P. DiNapoli
Assemblyman Herman D. Farrell, Jr., Chairman of the Assembly Ways and Means Committee
Assemblyman Robert C. Oaks, Ranking Minority Member of the Assembly Ways and Means Committee
Senator John A. DeFrancisco, Chairman of the Senate Finance Committee
Senator Liz Krueger, Ranking Minority Member of Senate Finance Committee
New York State Authorities Budget Office
Mr. Robert L. Megna, Director of the Budget
Mr. Edward P. Mangano, Nassau County Executive
Ms. Norma Gonsalves, Nassau County Legislative Presiding Officer
Mr. Kevan Abrahams, Nassau County Legislative Minority Leader
Mr. George Maragos, Nassau County Comptroller
Mr. Beaumont Jefferson, Nassau County Acting Treasurer
Nassau County Interim Finance Authority

AUTHORITY DIRECTORS AND STAFF AS OF DECEMBER 31, 2012

Directors

Ronald A. Stack, Chairperson
John R. Buran
George J. Marlin
Leonard D. Steinman (resigned on December 31)
Thomas W. Stokes (resigned mid-year)
Dermond Thomas
Robert A. Wild (resigned mid-year)
Christopher P. Wright

Staff

Evan Cohen, Executive Director
Laurel Boucher, Corporate Secretary
Jane Cunneen, Acting Treasurer
Maria Kwiatkowski, Deputy Director
Jeremy Wise, General Counsel
NIFA MISSION STATEMENT

The Nassau County Interim Finance Authority ("NIFA") was created by the State of New York as a public benefit corporation to improve the general prosperity and economic welfare of the inhabitants of Nassau County and the people of the State of New York. NIFA’s primary goal is to see that on a recurring basis, the County’s annual revenues are equal to its annual expenditures. To assist in its mission, NIFA was granted certain powers including the release of transitional state aid, the ability to borrow money on behalf of the County, and if necessary, to call a control period, as defined in the Act. While striving toward its goals, NIFA is continually mindful of 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 certain financial management criteria.

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 unanimous 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; however, the triggers for - and NIFA’s ability to call a control period - have never been changed. 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.
DIRECTORS, MANAGEMENT AND CONTINUING OPERATION

The NIFA Act allows for 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 and at least four directors must vote affirmatively for any action to be taken by the Authority.

The Governor also designates the chairperson and vice-chairperson from among the directors. There is currently no designated vice-chairperson. The Directors held meetings on the following dates in 2012: February 1st, March 22nd, May 17th, August 30th, September 24th, October 25th, and November 29th.

NIFA had four standing committees. Their name, membership and the dates of their respective meetings in 2012 were as follows:

1. Audit and Internal Controls held a meeting on May 17th, September 24th and November 29th. Its membership consisted of Messrs. Christopher Wright, George Marlin, Ronald Stack and Robert Wild. John Buran replaced Robert Wild at the November 29th meeting.
3. Finance held a meeting on November 29th. Its membership consisted of Messrs. George Marlin, Ronald Stack, John Buran and Christopher Wright.

Except as noted under the section concerning the “Control Period Developments,” no significant new litigation was commenced against NIFA in 2012

Directors

Ronald A. Stack, Director and Chairperson.

Ronald A. Stack is a Managing Director and Head of the Northeast Public Finance Team of Wells Fargo & Company. Immediately prior to joining Wells Fargo, Mr. Stack worked as a Managing Director in the Public Finance Department of Barclays Capital. Previously, Mr. Stack headed Public Finance at Lehman Brothers and served as Chair of
the Municipal Securities Rulemaking Board (MSRB). 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 expired on December 31, 2012.

John R. Buran, Director.

John R. Buran is Director, President and Chief Executive Officer of Flushing Financial Corporation the holding company for Flushing Bank. He joined the company and the bank in 2001 as Chief Operating Officer and he became a Director of these entities in 2003. In 2005, he was named President and Chief Executive Officer of Flushing Savings Bank (now Flushing Bank) and Flushing Financial Corporation.

Mr. Buran’s career spans more than 35 years in the banking industry. Mr. Buran has been a Director of the Federal Home Loan Bank of New York (FHLBNY) since 2010 and serves on their Audit and Affordable Housing Committees. He is also Chairman of FHLBNY Risk Task Force. John also serves on the Advisory Board and is a former Board President of Neighborhood Housing Services of New York City. He is past Chairman and current board member of the New York Bankers Association as well as a Director of New York Bankers Service Corporation. In 2011, he was appointed to the Community Depository Institutions Advisory Council of The Federal Reserve Bank of New York. His current term expires on December 31, 2014.

George J. Marlin, Director.


Dermond Thomas, Director

Dermond Thomas serves as Director, Corporate Counsel of MSC Industrial Direct Co., Inc. Mr. Thomas has been a corporate transactional lawyer for over 10 years and has worked for Arnold & Porter LLP and Fried, Frank, Harris, Shriver & Jacobson LLP. Mr. Thomas has represented sovereign nations, companies and individuals in complex U.S. and foreign transactions, including securities offerings and mergers and acquisitions. He also serves as a Trustee on the Board of Trustees of the Village of Valley Stream. Mr. Thomas received his Juris Doctor from Columbia University School of Law and his Bachelor of Arts in Economics from Amherst College. His current term expires on December 31, 2013.
Christopher P. Wright, Director.

Christopher P. Wright, from Protiviti’s New York office, is the firm-wide Managing Director of the firm’s 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 and for Protiviti’s Litigation, Restructuring and Investigation Services practice. He has over twenty years experience serving clients as an external and internal auditor, including 6 years as a partner at two global accounting firms. His term of office expires on December 31, 2013.

Staff

Evan L. Cohen, Executive Director.

Evan L. Cohen serves as Executive Director. He has over 20 years of financial management experience dealing with governments, including more than 5 years as Executive Director and 7 years as Deputy Director of the Authority. He previously worked for the New York State Financial Control Board for The City of New York. Mr. Cohen earned a BE in Electrical Engineering and an MBA in Finance.

Jeremy A. Wise, General Counsel

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. He has been the General Counsel of the Authority since 2000.

Maria Kwiatkowski, Deputy Director

Maria Kwiatkowski serves as Deputy Director. She has extensive government service that includes leading development of performance management for Nassau County, Budget Director for the University of DC, and Program Manager of the Budget Award Program at the national GFOA. Ms. Kwiatkowski holds a PhD in the Psychology of Performance from the University of Tennessee.

Laurie A. Boucher, Corporate Secretary

Laurie Boucher serves as Corporate Secretary and Chief Administrator. Ms. Boucher has worked for the Authority since its creation in 2000 and her responsibilities include the organization of all meetings of the Directors as well as the preparation of numerous filings to fulfill State requirements. Prior to NIFA, Ms. Boucher served as Board Secretary to the Long Island Power Authority.
Jane F. Cunneen, Acting Treasurer

Jane Cunneen serves as Acting Treasurer. Ms. Cunneen has worked for the Authority since 2001, the last five years as Acting Treasurer. Ms. Cunneen has over 30 years of accounting and treasury experience in various industries.

INITIATIVES AND ACCOMPLISHMENTS IN 2012

In the twelve years since NIFA was created it has continually worked to improve its efforts to support the State of New York and the 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.

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 to improve 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 2012. The description is not intended to be all-encompassing or comprehensive, but provides a synopsis of progress and achievements of NIFA staff.

Reports

The following Reports were issued by NIFA staff to the Directors:


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:

- Headcount analysis designed to track year-to-date changes from the budget allocation and related vacancy savings.
- Overtime Usage and History reports that track current overtime spending by primary department usage and also compares this to historical spending for more accurate variance analysis.
• *Salaries and Wages* monitoring and year-to-date spending analysis as well as related projections.

**Training & Professional Development**

All NIFA staff has attended various training seminars and conferences to keep current in relevant governmental disciplines. These included, but were not limited to:

• New York State Government Finance Officers’ Association Annual Conference (April). Staff attended sessions covering such topics as “Preparing an Internal Control Policy,” “Performance Measurement Tool for Government Programs,” and “Financing Options for Water and Sewer Projects.”

• New York State Government Finance Officers’ Association regional training sessions such as:
  - Financial Risk Assessment – Measuring the Fiscal Challenge (May)
  - SEC Report on Municipal Securities Marked (October)
  - Issues in Real Property Taxation and Administration (October)
  - Post Election Economic Update (December)
  - Changes to the Open Meetings Law and FOIL (December)
  - Hurricane Sandy: Financing the Recovery (December)

• 2012 Annual Smart Growth Summit – included sessions such as: Redevelopment Lessons Off Long Island, Emergency Planning and Main Street, and held discussions regarding the re-building of Long Island businesses and communities post Superstorm Sandy (November).

• Webinar Training. Staff has participated in various webinar sessions via the internet such as:
  - Lunch and Learns with Micro Force webinars regarding:
    - GP Tips and Tricks (July)
    - Excel Report Builder (September)
    - Year-End Preparation (December)
  - Webcast conducted by the Government Finance Officers’ Association to discuss the “Annual GASB Update” (November).
  - New York State Empire State Development, Division of Minority and Women-Owned Development providing training in MWBE contract reporting and hosted the following topics:
    - Master Goal Plan Utilization Reporting (February)
    - Utilization Reporting and Goal Plans (December)

NIFA staff members have also participated in committees and continuing education meetings to maintain and improve professional competence, keep abreast of new technology and practices, or to comply with professional regulatory organizations such as:

• Participation in the New York State Governance Finance Officers’ Association Accounting, Auditing and Financial Reporting committee.
• Attendance at continuing education courses in such topics as ethics, real estate and local government law.

**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, and the Office of Legislative Budget Review to receive updates from OMB; answers to questions submitted; and, obtain requested information.
• Nassau Health Care Corporation Meetings. 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 to discuss financial reports and the 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, Total Webcasting, to broadcast all NIFA public meetings and this has been done throughout fiscal year 2012. The webcast, posted on the NIFA website ([http://www.nifa.state.ny.us](http://www.nifa.state.ny.us)) enables many more Nassau County citizens and stakeholders to view NIFA activities, business, and decisions that are conducted on their behalf.

**Liaison Responsibilities**

In 2012 NIFA has continued monitoring the County’s finances and helped to facilitate dialogue among the County’s elected and appointed leaders.

Financial monitoring meetings were held with representatives of the County Executive, County Legislature, County Comptroller and NIFA to review the County’s finances. 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 meets with the Nassau Health Care Corporation (NHCC) to remain up-to-date on their financial condition because 1) it is a covered organization subject to NIFA
review and 2) the financial condition of NHCC could have an impact on that of Nassau County.

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.

Control Period Developments

On March 24, 2011, and again on March 22, 2012, the Authority determined that a wage freeze was essential to the County’s adoption and maintenance of a FY 2011 budget and FY 2012 budget, respectively. Consequently, the Authority’s Directors passed a resolution declaring that a fiscal crisis existed (continues) and imposed (extended) a wage freeze for one year, pursuant to the Authority’s enabling legislation.

NIFA has approved two Multi-Year Financial Plans for periods Fiscal 2012 – 2015 and 2013 – 2016, both contemplating that substantial borrowing would be necessary to finance operating expenditures, including the majority of the expense of tax certiorari settlements and judgments, while transitioning to a balanced budget. In 2012 the County did not conduct any new borrowings, but used a limited amount of proceeds from a prior year borrowing for these payments.

On October 25, 2012, NIFA adopted a staff report on the County's proposed Multi-Year Financial Plan Fiscal 2013 – 2016, which concluded that the Proposed Plan should be considered for approval only if certain amendments were made during the adoption process.

On November 20, 2012, the County Legislature adopted its Multi-Year Financial Plan for Fiscal 2013 – 2016 (the “MYP”), the first year of which was the County’s 2013 Budget.

On November 29, 2012, NIFA adopted a staff report on the MYP which described how although the MYP met the legal requirements imposed by the NIFA Act, it was accomplished by continuation of controls and reliance on NIFA’s imposition of a wage freeze for the next four years. It concluded that the County’s inability to create reserves,
build infrastructure, negotiate proposed labor concessions, resolve its tax cert problem or achieve structural balance where recurring revenues meet recurring expenditures, meant NIFA would remain in a control period for the foreseeable future.

**Key Litigation**

On March 24, 2011, after determining that the requirements of its governing legislation were met, the Authority exercised its authority to impose a one-year wage freeze on County personnel. Unions representing County personnel have filed lawsuits in the United States District Court for the Eastern District of New York against the Authority and its Directors. The lawsuits allege that the wage freeze is unauthorized by the Authority’s governing legislation and unconstitutionally impairs the unions’ collective bargaining agreements with the County in violation of the Contracts Clause of the United States Constitution. The unions also filed lawsuits in the same court challenging NIFA's renewal of the wage freeze for an additional year in March 2012.

On February 14, 2013, United States District Judge Leonard D. Wexler granted summary judgment to the plaintiff unions in one of these wage freeze litigations, ruling that as a matter of statutory interpretation of NIFA's enabling legislation NIFA's wage freeze power expired in 2008. The District Court stayed its ruling pending appeal, so the wage freeze remains in effect. NIFA has filed a notice of appeal with the United States Court of Appeals for the Second Circuit, which granted NIFA's motion for an expedited appeal. Oral argument of the appeal is scheduled for June 10, 2013.

**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 2012. Overall, NIFA bonds payable decreased in fiscal year 2012 by $149,317,000 (9.77%), due to retirement of prior bond issues. As of December 31, 2012, the Authority had bonds outstanding of $1,379,123,000, which were comprised of $779,123,000 of conventional fixed rate debt and $600,000,000 of synthetic fixed rate debt. Total estimated remaining debt service was $1,667,031,000. NIFA’s debt matures through the year 2025.
Fixed Rate Bonds – The Authority has outstanding fixed rate bonds at rates ranging between 0.688% and 5.0%. 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.

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.

In 2012, NIFA had four major transactions that affected its bonds:


On March 7, 2012, NIFA substituted Sumitomo Mitsui Banking Corporation (for KBC Bank N.V.) as the provider of a standby bond purchase agreement for its Series 2008B variable rate bonds. The new agreement will expire on March 6, 2015.

On October 4, 2012, NIFA issued $141.580 million of Series 2012A (tax exempt) and $176.133 million of Series 2012B (Federally taxable) fixed rate bonds to refund a par amount of $322.450 million of NIFA’s bonds (Series 2001A, Series 2003A, Series 2003B, Series 2004H, and Series 2005D). It was estimated that the transaction saved more than $33 million on a present value basis.


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 was 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 GSMMDP
- $80 million notional amount (2004 Series D – swap agreement) with GSMMDP
- $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 was 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 GSMMDP
- $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”)

12
<table>
<thead>
<tr>
<th>Bond Description</th>
<th>Issued</th>
<th>Balance at 1/1/12</th>
<th>Bonds</th>
<th>Retired</th>
<th>Balance at 12/31/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax Secured Bonds, Series 2001A</td>
<td>4% to 5.375% serial and term bonds due through 2021</td>
<td>$181,480</td>
<td>$8,060</td>
<td>$8,060</td>
<td>$-</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds, Series 2003A</td>
<td>2% to 6% serial bonds due through 2023</td>
<td>275,990</td>
<td>189,180</td>
<td>176,195</td>
<td>12,985</td>
</tr>
<tr>
<td>Sales Tax Secured Refunding Bonds, Series 2003B</td>
<td>2% to 5% serial bonds due through 2018</td>
<td>238,485</td>
<td>90,035</td>
<td>68,790</td>
<td>21,245</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds, Series 2004A</td>
<td>2% to 5% serial bonds due through 2013</td>
<td>153,360</td>
<td>37,740</td>
<td>37,230</td>
<td>510</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds, Series 2004H</td>
<td>2.15% to 5% serial bonds due through 2017</td>
<td>187,275</td>
<td>142,365</td>
<td>85,650</td>
<td>56,715</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds Series 2005A</td>
<td>3.26% to 4.8% serial due through 2024</td>
<td>124,200</td>
<td>112,275</td>
<td>25,700</td>
<td>86,575</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds Series 2005 D</td>
<td>3.23% to 4.32% serial and term bonds due through 2022</td>
<td>143,795</td>
<td>93,890</td>
<td>47,880</td>
<td>46,010</td>
</tr>
<tr>
<td>Sales Tax Secured Variable Rate Bonds Series 2008 A-B *</td>
<td>due 2018 through 2025</td>
<td>250,000</td>
<td>250,000</td>
<td>-</td>
<td>250,000</td>
</tr>
<tr>
<td>Sales Tax Secured Variable Rate Bonds Series 2008 C-E *</td>
<td>due 2012 through 2019</td>
<td>355,055</td>
<td>350,000</td>
<td>-</td>
<td>350,000</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds Series 2009 A</td>
<td>1% to 5% serial bonds due through 2025</td>
<td>303,100</td>
<td>254,895</td>
<td>17,525</td>
<td>237,370</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds Series 2012 A</td>
<td>3% to 5% serial bonds due 2015 through 2025</td>
<td>141,580</td>
<td>-</td>
<td>141,580</td>
<td>-</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds 2012 B</td>
<td>0.688% to 2.822% serial bonds due 2014 through 2023</td>
<td>176,133</td>
<td>-</td>
<td>176,133</td>
<td>-</td>
</tr>
</tbody>
</table>

$2,530,453 $1,528,440 $317,713 $467,030 $1,379,123

*During 2012, the interest rate on the Variable Rate Bonds ranged from .05% to 1.25%.*
Aggregate debt service to maturity as of December 31, 2012 is as follows (dollars in thousands):

<table>
<thead>
<tr>
<th>Years Ending December 31,</th>
<th>Principal</th>
<th>Interest*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$150,965</td>
<td>$51,171</td>
<td>$202,136</td>
</tr>
<tr>
<td>2014</td>
<td>140,642</td>
<td>43,542</td>
<td>184,184</td>
</tr>
<tr>
<td>2015</td>
<td>143,585</td>
<td>38,331</td>
<td>181,916</td>
</tr>
<tr>
<td>2016</td>
<td>139,426</td>
<td>33,895</td>
<td>173,321</td>
</tr>
<tr>
<td>2017</td>
<td>129,666</td>
<td>28,925</td>
<td>158,591</td>
</tr>
<tr>
<td>2018-2022</td>
<td>539,050</td>
<td>82,932</td>
<td>621,982</td>
</tr>
<tr>
<td>2023-2025</td>
<td>135,789</td>
<td>9,112</td>
<td>144,901</td>
</tr>
<tr>
<td></td>
<td>$1,379,123</td>
<td>$287,908</td>
<td>$1,667,031</td>
</tr>
</tbody>
</table>

*Interest on the Variable Rate Bonds is calculated at the fixed payer rates on the associated interest rate swaps.

Sales tax revenue of $1,007,220,000 provided 4.3 times coverage of NIFA’s 2012 total debt service of approximately $232,789,000. Historical sales tax collections and County rankings are shown in Appendix A. The Authority used $1,273,000 for general and administrative operational expenses, and $663,000 for legal, accounting and consulting services, and other costs related to the imposition of a control period. Included in these expenses were salaries for certain positions that exceeded $100,000. These positions were Executive Director, General Counsel, and Deputy Director.

NIFA maintained high credit ratings on both its long and short term debt at year end, as follows:

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>NIFA Long Term Debt Rating</th>
<th>NIFA Short Term Debt Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch</td>
<td>AAA</td>
<td>F-1+</td>
</tr>
<tr>
<td>Moody’s Investors Service</td>
<td>Aa1</td>
<td>VMIG-1</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>AAA</td>
<td>A-1+</td>
</tr>
</tbody>
</table>

**Administrative Matters**

The Authority leases office space at 170 Old Country Road, Suite 205 in Mineola, New York. Its telephone number is 516 248-2828 and its fax number is 516 248-4050. Its website is [http://www.nifa.state.ny.us](http://www.nifa.state.ny.us).

During 2012 the Authority maintained its staff complement of five employees, four of whom have been with NIFA for more than 10 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, 2011 (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 as well as its authorizing legislation. These reports include:

- Authority Report on Debt Issuance, Tab 1 (NIFA Act, Section 3653)
- Audited Financial Statements for Year Ended December 31, 2012, 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 Contracts Guidelines Report, Tab 5 (PAL Section 2879)
- Compensation Schedule – See page 15
- Property Disposition Report, Tab 6
- Authority Mission Statement and Measurement Report, Tab 7
- Authority Code of Ethics, Tab 8
- Authority Act, Tab 9
- Authority By-Laws, Tab 10

The Authority Personnel Report required by PAL Section 2806 is submitted separately. 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
Appendix A

SALES TAX COLLECTIONS
EXCLUSIVE OF LOCAL GOVERNMENT ASSISTANCE PROGRAM
ALLOCATION
(000’s omitted)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual Sales Tax Revenues</th>
<th>Fiscal Year</th>
<th>Actual Sales Tax Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$653,091</td>
<td>2005</td>
<td>900,309</td>
</tr>
<tr>
<td>1998</td>
<td>673,431</td>
<td>2006</td>
<td>935,496</td>
</tr>
<tr>
<td>1999</td>
<td>713,931</td>
<td>2007</td>
<td>951,105</td>
</tr>
<tr>
<td>2000</td>
<td>755,967</td>
<td>2008</td>
<td>940,214</td>
</tr>
<tr>
<td>2001</td>
<td>779,714</td>
<td>2009</td>
<td>895,061</td>
</tr>
<tr>
<td>2002</td>
<td>811,147</td>
<td>2010</td>
<td>942,028</td>
</tr>
<tr>
<td>2003</td>
<td>838,085</td>
<td>2011</td>
<td>963,001</td>
</tr>
<tr>
<td>2004</td>
<td>881,321</td>
<td>2012</td>
<td>1,014,078</td>
</tr>
</tbody>
</table>

(a)  Sales tax revenues are reported on a modified accrual basis.
SOURCE: Office of the County Comptroller.

DEBT SERVICE COVERAGE ON SENIOR BONDS
BY HISTORICAL SALES TAX REVENUES

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Tax Revenues ($ Thousands)(a)</th>
<th>Coverage of Maximum Annual Debt Service on Senior Bonds (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>673,431</td>
<td>3.33</td>
</tr>
<tr>
<td>1999</td>
<td>713,931</td>
<td>3.53</td>
</tr>
<tr>
<td>2000</td>
<td>755,967</td>
<td>3.74</td>
</tr>
<tr>
<td>2001</td>
<td>779,714</td>
<td>3.86</td>
</tr>
<tr>
<td>2002</td>
<td>811,147</td>
<td>4.01</td>
</tr>
<tr>
<td>2003</td>
<td>838,085</td>
<td>4.15</td>
</tr>
<tr>
<td>2004</td>
<td>881,321</td>
<td>4.36</td>
</tr>
<tr>
<td>2005</td>
<td>900,309</td>
<td>4.45</td>
</tr>
<tr>
<td>2006</td>
<td>935,496</td>
<td>4.63</td>
</tr>
<tr>
<td>2007</td>
<td>951,105</td>
<td>4.71</td>
</tr>
<tr>
<td>2008</td>
<td>940,214</td>
<td>4.65</td>
</tr>
<tr>
<td>2009</td>
<td>895,061</td>
<td>4.43</td>
</tr>
<tr>
<td>2010</td>
<td>942,028</td>
<td>4.66</td>
</tr>
<tr>
<td>2011</td>
<td>963,001</td>
<td>4.76</td>
</tr>
<tr>
<td>2012</td>
<td>1,014,078</td>
<td>5.02</td>
</tr>
</tbody>
</table>

(a)  Sales tax revenues are reported on a modified accrual basis and do not reflect cash receipts on a calendar year basis.
(b)  Based on debt service for the hedged Series 2008A-E Bonds at the fixed payer rates on the associated interest rate swaps.
RECENT SALES TAX COLLECTIONS

The following table sets forth, on a cash basis, monthly distributions of Local Sales Tax collections from the State Comptroller to the Authority since January 2009.

### MONTHLY SALES TAX COLLECTION DISTRIBUTIONS TO THE AUTHORITY FROM THE STATE COMPTROLLER

<table>
<thead>
<tr>
<th>Month</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$15,625,621</td>
<td>$21,022,975</td>
<td>$33,051,496</td>
<td>$41,733,084</td>
</tr>
<tr>
<td>February</td>
<td>$75,417,352</td>
<td>$79,771,187</td>
<td>$78,018,061</td>
<td>$78,926,448</td>
</tr>
<tr>
<td>March</td>
<td>$60,694,128</td>
<td>$67,431,130</td>
<td>$64,229,194</td>
<td>$67,420,428</td>
</tr>
<tr>
<td>April</td>
<td>$78,372,193</td>
<td>$87,062,032</td>
<td>$89,008,964</td>
<td>$100,219,159</td>
</tr>
<tr>
<td>May</td>
<td>$63,474,920</td>
<td>$73,431,269</td>
<td>$73,978,096</td>
<td>$73,304,703</td>
</tr>
<tr>
<td>June</td>
<td>$132,640,750</td>
<td>$143,770,104</td>
<td>$142,351,756</td>
<td>$145,468,550</td>
</tr>
<tr>
<td>July</td>
<td>$21,775,695</td>
<td>$23,854,906</td>
<td>$19,745,529</td>
<td>$27,606,599</td>
</tr>
<tr>
<td>August</td>
<td>$66,905,632</td>
<td>$74,369,009</td>
<td>$74,914,523</td>
<td>$76,031,628</td>
</tr>
<tr>
<td>September</td>
<td>$69,669,019</td>
<td>$73,425,183</td>
<td>$73,058,443</td>
<td>$76,012,092</td>
</tr>
<tr>
<td>October</td>
<td>$96,244,220</td>
<td>$89,062,043</td>
<td>$96,469,398</td>
<td>$100,145,598</td>
</tr>
<tr>
<td>November</td>
<td>$68,909,939</td>
<td>$73,534,885</td>
<td>$73,156,163</td>
<td>$77,287,791</td>
</tr>
<tr>
<td>December</td>
<td>$139,566,263</td>
<td>$137,447,602</td>
<td>$139,674,710</td>
<td>$144,219,504</td>
</tr>
<tr>
<td>Totals</td>
<td>$889,295,733</td>
<td>$938,182,325</td>
<td>$957,656,332</td>
<td>$1,008,375,584</td>
</tr>
</tbody>
</table>

TAXABLE SALES AND PURCHASES RANKED BY COUNTY IN THE STATE

(in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>1</td>
<td>$116,281,232</td>
<td>1</td>
<td>$106,440,554</td>
<td>9.25%</td>
</tr>
<tr>
<td>Suffolk</td>
<td>2</td>
<td>$26,874,884</td>
<td>2</td>
<td>$25,339,638</td>
<td>6.06%</td>
</tr>
<tr>
<td><strong>Nassau</strong></td>
<td>3</td>
<td><strong>$23,249,728</strong></td>
<td>3</td>
<td><strong>$22,645,417</strong></td>
<td><strong>2.67%</strong></td>
</tr>
<tr>
<td>Westchester</td>
<td>4</td>
<td>$17,159,132</td>
<td>4</td>
<td>$16,099,227</td>
<td>6.58%</td>
</tr>
<tr>
<td>Erie</td>
<td>5</td>
<td>$13,636,031</td>
<td>5</td>
<td>$12,894,176</td>
<td>5.75%</td>
</tr>
<tr>
<td>Monroe</td>
<td>6</td>
<td>$10,047,848</td>
<td>6</td>
<td>$9,496,181</td>
<td>5.81%</td>
</tr>
<tr>
<td>Onondaga</td>
<td>7</td>
<td>$7,239,027</td>
<td>7</td>
<td>$6,805,707</td>
<td>6.37%</td>
</tr>
<tr>
<td>Orange</td>
<td>8</td>
<td>$5,940,024</td>
<td>8</td>
<td>$5,573,543</td>
<td>6.58%</td>
</tr>
<tr>
<td>Albany</td>
<td>9</td>
<td>$5,463,853</td>
<td>9</td>
<td>$5,324,664</td>
<td>2.61%</td>
</tr>
<tr>
<td>Dutchess</td>
<td>10</td>
<td>$4,057,873</td>
<td>11</td>
<td>$3,576,332</td>
<td>13.46%</td>
</tr>
</tbody>
</table>

Tab 1
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.”

During 2012, the Authority issued $317,713,000 of long term bonds, including $141,580,000 of tax-exempt fixed rate Bonds, Series A, and $176,133,000 of taxable fixed rate Bonds, Series B.

Set forth below are the sources and uses of the proceeds of the Series 2012A Bonds and Series 2012B Bonds (“Series 2012 Bonds”):

**SOURCES OF FUNDS**

<table>
<thead>
<tr>
<th>Par amount of the Series 2012 Bonds</th>
<th>$317,713,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Issuance Premium</td>
<td>28,250,617.30</td>
</tr>
<tr>
<td>Authority Funds</td>
<td>7,126,334.73</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td><strong>$353,089,952.03</strong></td>
</tr>
</tbody>
</table>

**USES OF FUNDS**

<table>
<thead>
<tr>
<th>Refunding of NIFA Bonds</th>
<th>$351,296,958.36</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriters’ Discount and Other Authority and County Costs of Issuance</td>
<td>1,792,993.67</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td><strong>$353,089,952.03</strong></td>
</tr>
</tbody>
</table>
Tab 2
CERTIFICATION FORM

This is to certify that the attached Financial Statements for the Year Ended December 31, 2012 were approved by the Directors on June 5, 2013 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

June 5, 2013

Date

Signed copy on file with NIFA

______________________________

Jane F. Cunneen, Acting Treasurer

June 5, 2013

Date
Nassau County Interim
Finance Authority

NIFA

Financial Statements for the
Year Ended December 31, 2012 and
Independent Auditors’ Report
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEPENDENT AUDITORS' REPORT</td>
<td>1-2</td>
</tr>
<tr>
<td>MANAGEMENT'S DISCUSSION AND ANALYSIS</td>
<td>3-10</td>
</tr>
<tr>
<td>BASIC FINANCIAL STATEMENTS:</td>
<td></td>
</tr>
<tr>
<td>Entity-Wide Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Statement of Net Position</td>
<td>11</td>
</tr>
<tr>
<td>Statement of Activities and Changes in Net Position</td>
<td>12</td>
</tr>
<tr>
<td>Governmental Funds Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>13</td>
</tr>
<tr>
<td>Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position</td>
<td>14</td>
</tr>
<tr>
<td>Statement of Revenues, Expenditures, and Changes in Fund Balances</td>
<td>15</td>
</tr>
<tr>
<td>Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities and Changes in Net Position</td>
<td>16</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>17-41</td>
</tr>
<tr>
<td>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS:</td>
<td></td>
</tr>
<tr>
<td>Schedule of Funding Progress – Other Postemployment Benefits (unaudited)</td>
<td>42</td>
</tr>
<tr>
<td>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</td>
<td>43-44</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT

Report on the Financial Statements

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 Nassau County, NY, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matters

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 3 through 10 and page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2013 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority’s internal control over financial reporting and compliance.

Deloitte & Touche LLP

June 5, 2013
As management of the Nassau County Interim Finance Authority, we offer readers of the financial statements this narrative overview and analysis of our financial activities for the year ended December 31, 2012. We encourage readers to consider the information presented within this section in conjunction with the financial statements.

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 is, or has previously been, empowered 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 assistance 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.

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 2012. NIFA is currently rated in the highest rating category by Standard & Poor's (AAA), and Fitch (AAA), and the second highest rating category by Moody's (Aa1).

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

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of the following components: 1) entity-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.
OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Entity-wide Financial Statements

The entity-wide financial statements are designed to provide readers with a broad overview of the Authority’s finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the Authority’s assets and liabilities, with the difference between the two reported as “net position”. This combines and consolidates the Authority’s current financial resources with capital assets (if any) and long-term obligations. The purpose of this statement is to give the reader an understanding of the Authority’s total net worth. Over time, increases or decreases in the Authority’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as maintaining excellent bond ratings, effectively managing the debt and the amount of cash flow provided to the County.

The statement of activities presents information showing how the Authority’s net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. This method is known as the accrual basis of accounting and is different from the modified accrual basis of accounting used in the Authority’s fund financial statements.

The intent of the government-wide financial statements is to give the reader a long-term view of the Authority’s financial condition.

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction or limitations. The Authority, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term effect of the Authority’s near-term financial decisions. In addition to these two statements, the financial statements include reconciliations between the entity-wide and governmental fund statements.

The Authority maintains two individual governmental, funds the general fund and the debt service fund, both of which are reported as major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.
OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Other Information

In addition to the basic financial statements, this report contains supplementary information immediately following the notes to the financial statements.

ENTITY-WIDE FINANCIAL ANALYSIS

The statement of net position details the assets and liabilities of the Authority based on their liquidity, utilizing current and noncurrent categories. The resulting net position, in this statement, is displayed as either restricted or unrestricted. The Authority’s liabilities exceeded its assets by $1,373,073,000 at the close of the most recent year.

Our analysis below focuses on the net position and changes in net position of NIFA’s governmental activities.

Condensed Statement of Net Position
As of December 31, 2012 and 2011
(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>$ 176,550</td>
<td>$ 176,847</td>
</tr>
<tr>
<td>Other</td>
<td>30,946</td>
<td>35,035</td>
</tr>
<tr>
<td>Total Assets</td>
<td>207,496</td>
<td>211,882</td>
</tr>
<tr>
<td>Deferred Outflows of Resouces</td>
<td>83,976</td>
<td>84,636</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>257,057</td>
<td>251,569</td>
</tr>
<tr>
<td>Non-current</td>
<td>1,407,488</td>
<td>1,543,449</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>1,664,545</td>
<td>1,795,018</td>
</tr>
<tr>
<td>Net Position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>32,021</td>
<td>32,671</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(1,405,094)</td>
<td>(1,531,171)</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$(1,373,073)</td>
<td>$(1,498,500)</td>
</tr>
</tbody>
</table>
**NASSAU COUNTY INTERIM FINANCE AUTHORITY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
Year Ended December 31, 2012

**ENTITY-WIDE FINANCIAL ANALYSIS (continued)**

Condensed Statement of Activities and Changes in Net Position  
For the Years Ended December 31, 2012 and 2011  
(Dollars in thousands)

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales tax</td>
<td>$1,007,220</td>
<td>$967,088</td>
</tr>
<tr>
<td>Program revenue</td>
<td>265</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>3,741</td>
<td>5,109</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>1,011,226</td>
<td>972,197</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,273</td>
<td>1,309</td>
</tr>
<tr>
<td>Control period expenses</td>
<td>663</td>
<td>1,865</td>
</tr>
<tr>
<td>Bond interest expense</td>
<td>86,187</td>
<td>73,394</td>
</tr>
<tr>
<td>Distribution to Nassau County</td>
<td>797,676</td>
<td>765,511</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>885,799</td>
<td>842,079</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>125,427</td>
<td>130,118</td>
</tr>
<tr>
<td><strong>Net Position, beginning of year</strong></td>
<td>(1,496,500)</td>
<td>(1,628,618)</td>
</tr>
<tr>
<td><strong>Net Position, end of year</strong></td>
<td>$ (1,373,073)</td>
<td>$ (1,498,500)</td>
</tr>
</tbody>
</table>

Overall, net position improved by $125,427,000 primarily as a result of the repayment of $149,317,000 in debt from the sales tax receipts. The Authority has an overall net accumulated deficit of $1,373,073,000 resulting primarily from the liabilities relating to bonds payable of $1,379,123,000 which will be paid in future periods as sales tax is received. The deficit is expected to be further reduced, and has been reduced historically as the bonds have been repaid. The Authority is scheduled to repay $150,965,000 of principal in 2013.

Overall, bonds payable decreased in fiscal year 2012 by $149,317,000 (9.7%), due to retirement of prior bond issues. The deficit results primarily from the 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, 2012, the Authority had bonds payable of $1,379,123,000, of which $779,123,000 are fixed rate and $600,000,000 are hedged variable rate (with, effectively, a fixed rate resulting from the hedge). The reconciliation on page fourteen of these financial statements provides additional detail on the determination of the net deficit amount.

Additional information on the Authority’s debt activity can be found in the notes to the financial statements.
ENTITY-WIDE FINANCIAL ANALYSIS (continued)

The single most critical factor in the Authority's financial operations is sales tax revenue, which provided over 99% of the Authority's 2012 revenues. 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 twice each month. After provision for Authority debt service 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. There can be no assurance that historical data is predictive of future trends. The Authority does not make projections of sales tax revenues.

Sales tax revenue for the year ended December 31, 2012 was $1,007,220,000, an increase of 4.1% from the prior year due to an increased level of economic activity. Investment income, net of $4,201,000 of unrealized depreciation, and excluding bond premium amortization of $3,410,000, which accounts for the remaining Authority revenue, totaled $330,000 in 2012, an increase of $230,000 from 2011.

Sales tax revenue provided 4.3 times the coverage of the Authority's 2012 debt service of approximately $232,789,000. This coverage will change as the Authority refunds and/or amortizes its debt, or as rates change. Altogether, the Authority used $209,544,000 of 2012 sales tax revenue for debt service and Authority operations, remitting the balance of $797,676,000 to Nassau County.

On January 26, 2011, NIFA adopted a resolution declaring a control period in Nassau County in accordance with its enabling legislation. Consequently, in addition to the Authority’s baseline operating expenses of $1,273,000 and $1,309,000 for the years ended December 31, 2012 and 2011, respectively, NIFA had control period-related operating expenses of $663,000 and $1,865,000, respectively, for legal, accounting and consulting services and other costs outside the normal course of business that were needed to assist NIFA in carrying out its statutory mission. During 2012, the Authority received $265,000 in assistance from New York State to fund a portion of the control period legal expenses.

A portion of the Authority's total operating expense 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, 2012, the Authority remitted $16,000 to the County from interest earnings.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, spendable fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the year.
GOVERNMENTAL FUNDS FINANCIAL ANALYSIS (continued)

At December 31, 2012, the Authority’s governmental funds reported total ending fund balances of $32,717,000, a decrease of $996,000 in comparison with the prior year. This change in total governmental fund balances resulted from expenditures exceeding revenues in the general fund by $799,000 and by $197,000 in the debt service fund. The total ending fund balances are categorized as follows:

- **Nonspendable fund balance** - $57,000 (inherently nonspendable) includes the portion of net resources that cannot be spent because they must be maintained intact.
- **Restricted fund balance** - $32,021,000 (externally enforceable limitations on use) include amounts subject to limitations imposed by bond indentures, grantors, contributors, or laws and regulations of other governments.
- **Assigned fund balance** - $0- (limitation resulting from intended use) consists of amounts where the intended use if established by the highest level of decision making.
- **Unassigned fund balance** - $639,000 (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted, and assigned fund balance.

**General Fund**

At the end of the current year, the total fund balance of the general fund was $17,612,000, decreasing $799,000 from the prior year. Of the $17,612,000, $16,916,000 is restricted for debt service and, in 2013, will be transferred to the debt service fund. Of the $1,007,220,000 of sales tax revenue, 79.20% or $797,676,000 was transferred to the County and 20.98% or $211,376,000 was transferred to the debt service fund. The remaining was used to pay for the operations of the Authority in the amount of $1,197,000 and to fund the additional expenses incurred in fulfilling its responsibilities under the control period totaling $663,000.

**Debt Service Fund**

At the end of the current year, the total fund balance of the debt service fund was $15,105,000, of which all is restricted for debt service. During the year, the debt service fund received $211,376,000 from the general fund and it was used to fund $232,789,000 of debt service requirements.

**DEBT ADMINISTRATION**

At the end of the current year, NIFA has total sales tax secured bonded debt outstanding of $1,379,123,000. Of the total debt, $779,123,000 is subject to a fixed interest rate and $600,000,000 is subject to variable interest rate which is hedged by associated interest rate swaps, effectively creating a fixed interest rate. During 2012, the Authority issued $317,713,000 of sales-tax secured bonds to currently refund $8,060,000 of sales-tax secured bonds and advance refund $314,390,000 of sales-tax secured bonds. The Authority advance refunded the aforementioned bonds to reduce its total debt service payment by $34,784,986 and to obtain an economic gain of $33,432,000.
DEBT ADMINISTRATION (continued)

Outstanding Debt (in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate</td>
<td>$928,440</td>
<td>$317,713</td>
<td>$467,030</td>
<td>$779,123</td>
<td>$69,844</td>
</tr>
<tr>
<td>Variable Rate Hedged</td>
<td>$600,000</td>
<td></td>
<td></td>
<td>$600,000</td>
<td>19,297</td>
</tr>
<tr>
<td></td>
<td>$1,528,440</td>
<td>$317,713</td>
<td>$467,030</td>
<td>$1,379,123</td>
<td>$83,141</td>
</tr>
</tbody>
</table>

As stated earlier, NIFA is currently rated in the highest rating category by Standard & Poor's (AAA), and Fitch (AAA), and the second highest rating category by Moody's (Aa1).

In accordance with New York State statutes, NIFA does not currently have the authority to issue additional bonds or notes, except for refunding bonds or notes previously issued. Additional information on NIFA's indebtedness is shown in the notes to the financial statements.

CURRENTLY KNOWN FACTS

NIFA issued a “Request for Bids” seeking proposals for a Liquidity Facility in the form of a Standby Bond Purchase Agreement (“SBPA”) for an expiring facility for the 2008C Bonds. NIFA anticipates that an extension of the current SBPA will be negotiated, executed and take effect on May 1, 2013 upon the expiration of the current SBPA for the 2008C Bonds.

Litigation

On March 24, 2011, after determining that the requirements of its governing legislation were met, the Authority exercised its authority to impose a one-year wage freeze on County personnel. Unions representing County personnel have filed lawsuits in the United States District Court for the Eastern District of New York against the Authority and its Directors. The lawsuits allege that the wage freeze is unauthorized by the Authority's governing legislation and unconstitutionally impairs the unions' collective bargaining agreements with the County in violation of the Contracts Clause of the United States Constitution. The unions also filed lawsuits in the same court challenging NIFA's renewal of the wage freeze for an additional year in March 2012.

On February 14, 2013, United States District Judge Leonard D. Wexler granted summary judgment to the plaintiff unions in one of these wage freeze litigations, ruling that as a matter of statutory interpretation of NIFA's enabling legislation NIFA's wage freeze power expired in 2008. The District Court stayed its ruling pending appeal, so the wage freeze remains in effect. NIFA has filed a notice of appeal with the United States Court of Appeals for the Second Circuit, which granted NIFA's motion for an expedited appeal. Oral argument of the appeal is scheduled to occur in June 2013.
CURRENTLY KNOWN FACTS (continued)

Litigation (continued)

Attorneys representing various Nassau County property owners have filed three related petitions in Nassau County Supreme Court against the County and NIFA pursuant to Article 78 of the N.Y. Civil Practice Law and Rules. In these proceedings, the petitioners have asked the court to order the County to issue bonds to finance payment by the County of more than $50 million in judgments against the County arising from tax certiorari proceedings. The petitioners name NIFA as a respondent in two of the cases and ask the Court to order NIFA to vote on and approve the County's issuance of such bonds. In the third action, NIFA has been granted leave to intervene since it believes that the issues in all three cases are substantially the same. By the end of June all motion papers should have been filed in all three cases.

Finally, on March 29, 2013, the County filed a petition commencing a combined Article 78 proceeding and declaratory judgment action against NIFA in Nassau County Supreme Court. In this proceeding, the County raises a series of claims, including (i) that NIFA improperly asserted the right to review and approve the County Attorney's proposed program for financing tax certiorari settlements and judgments, and (ii) that NIFA improperly has withheld approval of certain County contracts with its bond counsel and lobbyists. NIFA has filed responsive papers and an appearance before the Court is currently scheduled in June of 2013.

The Authority was the beneficiary of certain lawsuit settlements in connection with alleged violations of state and federal antitrust and other laws involving the marketing, sale and placement of certain municipal bond derivatives. The Authority did not initiate any such actions but, rather, was the beneficiary as part of a class action. Pursuant to the settlements, the Authority received $531,000 in exchange for rights to participate in future actions against the defendants. Such amounts will benefit 2013 results for both the Authority and, likely, Nassau County.

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 nifacommerts@nifa.state.ny.us.
### Governmental Activities:

#### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted cash</td>
<td>$ 522</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>$ 9</td>
</tr>
<tr>
<td>Restricted investments</td>
<td>49,823</td>
</tr>
<tr>
<td>Sales tax revenue receivable</td>
<td>126,001</td>
</tr>
<tr>
<td>State assistance receivable</td>
<td>84</td>
</tr>
<tr>
<td>Interest income receivable</td>
<td>54</td>
</tr>
<tr>
<td>Other assets</td>
<td>57</td>
</tr>
<tr>
<td>Other noncurrent assets - net of amortization</td>
<td>30,946</td>
</tr>
</tbody>
</table>

#### Total Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>207,496</td>
</tr>
</tbody>
</table>

#### Deferred Outflows of Resources

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated decrease in fair value of hedging derivatives</td>
<td>83,976</td>
</tr>
</tbody>
</table>

#### Total Deferred Outflows of Resources

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Deferred Outflows of Resources</td>
<td>83,976</td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued liabilities</td>
<td>14,018</td>
</tr>
<tr>
<td>Due to Nassau County - sales tax revenue</td>
<td>91,968</td>
</tr>
<tr>
<td>Due to Nassau County - interest income</td>
<td>106</td>
</tr>
<tr>
<td>Derivative instruments - interest rate swaps</td>
<td>83,976</td>
</tr>
<tr>
<td>Bonds payable:</td>
<td></td>
</tr>
<tr>
<td>Due within one year</td>
<td>150,965</td>
</tr>
<tr>
<td>Due in more than one year</td>
<td>1,228,158</td>
</tr>
<tr>
<td>Unamortized bond premium</td>
<td>63,316</td>
</tr>
<tr>
<td>Other postemployment benefits payable</td>
<td>1,199</td>
</tr>
<tr>
<td>Other liabilities, net of amortization</td>
<td>30,548</td>
</tr>
<tr>
<td>Accrued vacation and sick pay</td>
<td>291</td>
</tr>
</tbody>
</table>

#### Total Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Liabilities</td>
<td>1,664,545</td>
</tr>
</tbody>
</table>

#### Net Position

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted for debt service</td>
<td>32,021</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(1,405,094)</td>
</tr>
</tbody>
</table>

#### Total Net Position

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Net Position</td>
<td>$ (1,373,073)</td>
</tr>
</tbody>
</table>

See notes to the financial statements.
NASSAU COUNTY INTERIM FINANCE AUTHORITY  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
December 31, 2012  
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
</tr>
<tr>
<td>General and administrative</td>
</tr>
<tr>
<td>Bond interest expense</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales tax</td>
</tr>
<tr>
<td>Less: distributions to Nassau County</td>
</tr>
<tr>
<td>State assistance - control period legal expenses</td>
</tr>
<tr>
<td><strong>Total Sales Tax and State Assistance Revenues Retained</strong></td>
</tr>
<tr>
<td>Investment income</td>
</tr>
<tr>
<td>Control period legal expenses</td>
</tr>
<tr>
<td><strong>Total General Revenues and Special Items</strong></td>
</tr>
</tbody>
</table>

Changes in Net Position  
125,427

Net Position - Beginning of Year  
(1,498,500)

Net Position- End of Year  
$ (1,373,073)

See notes to the financial statements.
## NASSAU COUNTY INTERIM FINANCE AUTHORITY
### BALANCE SHEET
#### GOVERNMENTAL FUNDS
December 31, 2012
(Dollars in Thousands)

### Assets

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Debt Service</th>
<th>Total (Governmental Funds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted cash</td>
<td>$ 522</td>
<td>-</td>
<td>$ 522</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>-</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Restricted investments</td>
<td>-</td>
<td>49,823</td>
<td>49,823</td>
</tr>
<tr>
<td>Sales tax revenue receivable</td>
<td>126,001</td>
<td>-</td>
<td>126,001</td>
</tr>
<tr>
<td>State aid receivable</td>
<td>84</td>
<td>-</td>
<td>84</td>
</tr>
<tr>
<td>Interest income receivable</td>
<td>-</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>16,914</td>
<td>16,914</td>
</tr>
<tr>
<td>Other assets</td>
<td>57</td>
<td>-</td>
<td>57</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 126,664</td>
<td>$ 66,800</td>
<td>$ 193,464</td>
</tr>
</tbody>
</table>

### Liabilities and Fund Balances

#### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Debt Service</th>
<th>Total (Governmental Funds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued liabilities</td>
<td>$ 170</td>
<td>$ 51,589</td>
<td>$ 51,759</td>
</tr>
<tr>
<td>Due to Nassau County - sales tax revenue</td>
<td>91,968</td>
<td>-</td>
<td>91,968</td>
</tr>
<tr>
<td>Due to Nassau County - interest income</td>
<td>-</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>16,914</td>
<td>-</td>
<td>16,914</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>109,052</td>
<td>51,695</td>
<td>160,747</td>
</tr>
</tbody>
</table>

#### Fund Balances

Nonspendable:
- Prepaid items 57

Restricted for:
- Debt service 16,916 15,105 32,021

Unassigned, reported in:
- General fund 639

**Total Fund Balance** 17,612 15,105 32,717

**Total Liabilities and Fund Balances** $ 126,664 $ 66,800 $ 193,464

See notes to the financial statements.
NASSAU COUNTY INTERIM FINANCE AUTHORITY
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
December 31, 2012
(Dollars in Thousands)

Total Fund Balances - Governmental Funds $ 32,717

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

Long-term liabilities are not due and payable in the current
period and accordingly are not reported in the governmental funds:
  Unamortized deferred gain (30,548)
  Bonds payable (1,341,382)
  Unamortized bond premiums (63,316)
  Other postemployment benefits payable (1,199)
  Accrued vacation and sick pay (291)

Long-term assets are not available to pay for current period
expenditures and, therefore, are deferred in the governmental funds. 30,946

Net Position of Governmental Activities $ (1,373,073)

See notes to the financial statements.
# NASSAU COUNTY INTERIM FINANCE AUTHORITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

- **December 31, 2012**
- **(Dollars in Thousands)**

### General

<table>
<thead>
<tr>
<th>Revenues</th>
<th>General</th>
<th>Debt Service</th>
<th>Total (Governmental Funds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales tax</td>
<td>$1,007,220</td>
<td>$ -</td>
<td>$1,007,220</td>
</tr>
<tr>
<td>State assistance</td>
<td>265</td>
<td></td>
<td>265</td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td>330</td>
<td>330</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>1,007,485</td>
<td>330</td>
<td>1,007,815</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Financing Sources</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating transfer in</td>
<td>2,628</td>
<td>211,376</td>
<td>214,004</td>
</tr>
<tr>
<td>Refunding bonds issued</td>
<td>-</td>
<td>317,713</td>
<td>317,713</td>
</tr>
<tr>
<td>Premium on bonds issued</td>
<td>-</td>
<td>28,251</td>
<td>28,251</td>
</tr>
<tr>
<td>Total Revenues and Other Financing Sources</td>
<td>1,010,113</td>
<td>557,670</td>
<td>1,567,783</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General and administrative</td>
<td>1,197</td>
<td>-</td>
<td>1,197</td>
</tr>
<tr>
<td>Debt service</td>
<td>-</td>
<td>225,663</td>
<td>225,663</td>
</tr>
<tr>
<td>Debt service - payment to bond escrow agent</td>
<td>-</td>
<td>7,126</td>
<td>7,126</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>1,197</td>
<td>232,789</td>
<td>233,986</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Financing Sources and (Uses)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer to Nassau County - sales tax revenue</td>
<td>797,676</td>
<td>-</td>
<td>797,676</td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>211,376</td>
<td>2,628</td>
<td>214,004</td>
</tr>
<tr>
<td>Payment to bond escrow agent</td>
<td>-</td>
<td>314,390</td>
<td>314,390</td>
</tr>
<tr>
<td>Debt Service - current refunding</td>
<td>-</td>
<td>8,060</td>
<td>8,060</td>
</tr>
<tr>
<td>Control period expenditures</td>
<td>663</td>
<td>-</td>
<td>663</td>
</tr>
<tr>
<td>Total Expenditures and Other Financing Uses</td>
<td>1,010,912</td>
<td>557,867</td>
<td>1,568,779</td>
</tr>
</tbody>
</table>

### Net Change in Fund Balances

- **(Dollars in Thousands)**

<table>
<thead>
<tr>
<th>Net Change in Fund Balances</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>18,411</td>
<td>15,302</td>
<td>33,713</td>
</tr>
<tr>
<td>End of Year</td>
<td>$17,612</td>
<td>$15,105</td>
<td>$32,717</td>
</tr>
</tbody>
</table>

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 AND CHANGES IN NET POSITION
Year Ended December 31, 2012
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Change in Fund Balances - Total Governmental Funds</td>
<td>$ (996)</td>
</tr>
<tr>
<td>Amounts reported for governmental activities in the Statement of Net Position are different because:</td>
<td></td>
</tr>
<tr>
<td>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of bond debt consumes the current financial resources of governmental funds. Also the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</td>
<td></td>
</tr>
<tr>
<td>Proceeds from bond issuance</td>
<td>(317,713)</td>
</tr>
<tr>
<td>Principal payments of bonds and payments for refunded bonds</td>
<td>468,626</td>
</tr>
<tr>
<td>Additions to and amortization of debt issuance costs</td>
<td>(4,090)</td>
</tr>
<tr>
<td>Additions and amortization of premiums on bond issued</td>
<td>(546)</td>
</tr>
<tr>
<td>Change in other liabilities</td>
<td>(19,778)</td>
</tr>
<tr>
<td>Change in other postemployment benefits obligation</td>
<td>(65)</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Change in Net Position of Governmental Activities</td>
<td>$ 125,427</td>
</tr>
</tbody>
</table>

See notes to the financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 State Assembly, and the State Comptroller. The Governor also designates the chairperson and vice chairperson from among the directors. At present, the vice chairperson has not been designated and two seats are 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”), investment earnings on money and investments on deposit in various Authority accounts and state assistance received to partially fund the control period expenditures. 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.

The basic 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.

A. ENTITY-WIDE AND FUND FINANCIAL STATEMENTS

The Authority’s basic financial statements include both the entity-wide (reporting the Authority as a whole) and the fund financial statements (reporting the Authority’s major funds).
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. ENTITY-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Entity-Wide Financial Statements

The entity-wide financial statements of the Authority, which include the statement of net position and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB Statement No. 34. The entity-wide statement of activities demonstrates the degree to which the direct expenses of a given function are otherwise supported first by program income, if any, and then by general government revenues. Direct expenses are those that are clearly identifiable with a specific function.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 focus of the governmental funds financial statements is on the major funds.

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position.

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

- The general fund accounts for sales tax and other revenues received by the Authority and for its general operating expenses, as well as distributions to Nassau County.

- The debt service fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest in future years.

The Authority does not have legally adopted budgets for its operating funds as they are not required; however, the Directors approve a multi-year financial plan annually, with the current year of any given multi-year plan functioning as a budget framework for that year.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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 entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, NIFA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue susceptible to accrual generally includes New York State sales tax and investment income. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recognized in accordance with indenture requirements, and expenditures related to compensated absences, and other postemployment benefits are recorded when payment is due.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements’ governmental activities column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

C. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE

1. 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, 2012, the Authority held cash, Treasury Bills, 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’s cash and certificates of deposit is 102% of the amount in excess of Federal Deposit Insurance and is held by a third-party custodian in the Authority’s name and consists of U.S. government or agency obligations.

Restricted cash and investments represents amounts held by the Authority’s Bond Trustee for payment of future debt service payments.
1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

   **C. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE** (continued)

1. **Cash and Investments** (continued)

   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 deposit with a maturity of longer than three months. 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 balances. Fair value is determined using quoted market values at December 31, 2012. 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.

2. **Receivables**

   Receivables include amounts due from New York State for sales tax remittances and state assistance, as well as interest earned from financial institutions but not yet received. Sales tax revenues received after December 31st but attributable to the prior year are shown in the balance sheet as sales tax receivable, due to Nassau County and due to debt service fund. In the statement of revenues, expenditures, and changes in fund balances, 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.

3. **Other Assets**

   Included in other assets are prepaid expenses and security deposits. Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent year. Fund balance has been adjusted to reflect an equal amount as nonspendable fund balance, indicating a portion of fund balance is not comprised of spending resources.

4. **Capital Assets**

   Capital assets purchased or acquired with an original cost of greater than $15,000 are capitalized. The Authority has no such assets.

5. **Deferred Outflows of Resources**

   In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) of time and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category, which is the interest rate swap derivative instrument.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. ASSETS, LIABILITIES AND FUND EQUITY/EQUITY (continued)

5. Deferred Outflows of Resources (continued)

In accordance with GASB 53, the Authority's derivative instruments, consisting of interest rate swap agreements, qualify as hedging derivative instruments; have been recorded at fair value, using the zero coupon methodology, in the statement of net position as derivative instruments – interest rate swaps. This method calculates the future net settlement payments required by the swap agreement, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps. The recording of the fair value of hedging derivative instruments has not affected investment income or the Authority's net position (deficit) position, but has been reported as a deferral and is included in the deferred outflow of resources in the statement of net position.

6. Long-Term Obligations

In the entity-wide financial statements, liabilities for long-term obligations consisting of general obligation bonds, compensated absences, and other postemployment benefits ("OPEB") are reported in the entity-wide financial statement of net position. Bond premiums, discounts and 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.

In the fund financial statements governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

The County has assumed responsibility for calculating arbitrage rebate liability on bonds or notes issued by the Authority; however, any resulting payments would be made by the Authority and reduce sales tax remittances to the County in a like amount.

7. Interfund Transactions

Interfund transactions and balances have been eliminated from the entity-wide financial statements. In the funds statements, interfund transactions consist of operating transfers and primarily represent payments to the debt service fund from the general fund to finance the debt service.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. ASSETS, LIABILITIES AND FUND EQUITY/EQUITY (continued)

8. Other Postemployment Benefits

In addition to providing pension benefits, the Authority provides health insurance coverage 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.

The Authority recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The Authority’s employee handbook requires that it provide its eligible enrollees with the Empire Plan benefit coverage or, if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Authority has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss. The liability for postemployment benefits payable is recorded as a non-current liability in the government-wide statements. The current year increase in the liability is based on the most recent actuarial valuation.

9. Compensated Absences

The obligation for vested or accumulated vacation, holiday and 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.

10. Net Position and Fund Equity Classifications

The entity-wide financial statements net position is displayed in two components:

a) Restricted net position—Consists of net position 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.

b) Unrestricted net position—All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. ASSETS, LIABILITIES AND FUND EQUITY/EQUITY (continued)

10. Net Position and Fund Equity Classifications (continued)

In the fund financials statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources; they are: 1) nonspendable, 2) restricted 3) committed, 4) assigned, or 5) unassigned.

1) Nonspendable fund balance includes amounts that cannot be spent because they are either: (a) not in spendable form (i.e. prepaid items or inventories), (b) will not convert to cash within the current period (i.e. long term receivables and financial assets held for resale), or (c) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

2) Restricted fund balance reflects the constraints imposed on resources either: (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

3) Committed fund balance reflects amounts that can only be used for specific purposes by a government using its highest and most binding level of decision making authority. The Authority's highest decision making authority is the Authority's Board.

4) Assigned fund balance reflects the amounts constrained by the Authority's "intent" to be used for specific purposes, but are neither restricted nor committed. The Directors of the Authority have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

5) Unassigned fund balance. This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources – committed, assigned and unassigned - in order, as needed.

D. REVENUES AND EXPENDITURES

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.

Normally, the Authority receives sales tax revenues twice 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 non-mandatory debt service reserves, Authority operations and operating reserves. Residual sales tax revenues and investment earnings are then wire transferred to the County.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

F. NEW ACCOUNTING PRINCIPLES

NIFA has adopted all of the current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. During the year ended December 31, 2012, NIFA adopted:

- GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources
- GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions and amendment of GASB Statement No. 53

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, establishes measurement, recognition and disclosure requirements for service concession arrangements. A service concession arrangement is an arrangement between a transferor (government) and an operator (government or non-government) in which the transferor conveys to an operator the right and related obligation to provide services or another public asset through the use of infrastructure in exchange for significant consideration and the operator collects and is compensated by fees from third parties. This Statement had no effect on the Authority's financial statements.

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures

The Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities That Use Propriety Fund Accounting. Those entities who chose to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements can continue to apply those pronouncements as other accounting literature. This Statement had no impact on the Authority's financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. NEW ACCOUNTING PRINCIPLES (continued)

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial and reporting guidance for deferred outflows of resources, which is a consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources which is an acquisition of net assets by the government that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. This Statement also amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The effect of this Statement on the Authority's financial statement was to change the presentation of the statement of net position.

Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions and amendment of GASB Statement No. 53, clarifies whether an effective hedging relations continues after a replacement of a swap counterparty or swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Because the Authority did not terminate any of its interest rate swap agreement during the year ended December 31, 2012, this Statement had no impact on the Authority’s financial statements for the current year.

G. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

2. 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 2012 included:

- Sales tax revenues of $1,007,220,000 of which $797,676,000 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 2012, the Authority remitted $16,000 of interest income, resulting in a remaining accrual of $106,000 of interest due to the County.
3. CASH AND INVESTMENTS

Cash and investments held by the Trustee in the amount of $49,832,000 are restricted for debt service.

The following table summarizes the Authority's cash and investments as of December 31, 2012:

<table>
<thead>
<tr>
<th>Held by Authority</th>
<th>Held by Trustee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$522</td>
<td>$9</td>
</tr>
<tr>
<td>Total cash</td>
<td>$522</td>
<td>$9</td>
</tr>
<tr>
<td>U.S. government and agency discount notes (maturities greater than 90 days)</td>
<td>-</td>
<td>49,823</td>
</tr>
<tr>
<td>Total marketable securities</td>
<td>-</td>
<td>49,823</td>
</tr>
<tr>
<td>Total cash and investments</td>
<td>$522</td>
<td>$49,832</td>
</tr>
</tbody>
</table>

The following table summarizes the Authority's cash and investments by type as of December 31, 2012:

<table>
<thead>
<tr>
<th>Investment Maturities</th>
<th>Held by Authority</th>
<th>Held by Trustee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$522</td>
<td>$9</td>
<td>$531</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$522</td>
<td>$49,832</td>
<td>$50,354</td>
</tr>
</tbody>
</table>

Custodial Credit Risk – Deposits / Investments – Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will be unable to recover the value of its investments or collateral securities that are in possession of an outside party. The Authority does not participate in a multi-municipal cooperation investment pool.

Deposits are required to 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 Authority’s name
3. CASH AND INVESTMENTS (continued)

At December 31, 2012, 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 substantially all of its investments in U.S. Government guaranteed securities and U.S. Government agency securities.

As of December 31, 2012, 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.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of December 31, 2012 the general fund owes the debt service fund $16,914,000 of sales tax revenue to cover debt service set aside requirements.

A summary of operating transfers for primarily debt service set aside requirements is as follows:

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Fund</td>
</tr>
<tr>
<td>General Fund</td>
</tr>
<tr>
<td>$211,376</td>
</tr>
<tr>
<td>$2,628</td>
</tr>
<tr>
<td>General Fund</td>
</tr>
<tr>
<td>Debt Service Fund</td>
</tr>
<tr>
<td>$2,628</td>
</tr>
<tr>
<td>$211,376</td>
</tr>
</tbody>
</table>

5. LONG-TERM DEBT

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

<table>
<thead>
<tr>
<th>(Dollars in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable:</td>
</tr>
<tr>
<td>Sales tax secured</td>
</tr>
<tr>
<td>bonds payable</td>
</tr>
<tr>
<td>$1,528,440</td>
</tr>
<tr>
<td>$317,713</td>
</tr>
<tr>
<td>$1,379,123</td>
</tr>
<tr>
<td>$1,228,158</td>
</tr>
<tr>
<td>Premiums</td>
</tr>
<tr>
<td>$62,769</td>
</tr>
<tr>
<td>$28,251</td>
</tr>
<tr>
<td>$34,518</td>
</tr>
<tr>
<td>$1,591,209</td>
</tr>
<tr>
<td>Total bonds payable</td>
</tr>
<tr>
<td>$1,591,209</td>
</tr>
<tr>
<td>$345,964</td>
</tr>
<tr>
<td>$1,442,439</td>
</tr>
<tr>
<td>$1,228,158</td>
</tr>
<tr>
<td>OPEB Liability</td>
</tr>
<tr>
<td>$1,134</td>
</tr>
<tr>
<td>$82</td>
</tr>
<tr>
<td>$1,052</td>
</tr>
<tr>
<td>$1,199</td>
</tr>
<tr>
<td>Compensated absences</td>
</tr>
<tr>
<td>$280</td>
</tr>
<tr>
<td>$11</td>
</tr>
<tr>
<td>$291</td>
</tr>
<tr>
<td>$1,592,623</td>
</tr>
<tr>
<td>$346,057</td>
</tr>
<tr>
<td>$1,443,929</td>
</tr>
<tr>
<td>$1,228,491</td>
</tr>
</tbody>
</table>
5. **LONG-TERM DEBT** (continued)

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.

As of December 31, 2012, the Authority had outstanding sales tax secured bonds in the amount of $1,379,123,000, maturing through the year 2025, of which $779,123,000 are fixed rate and $600,000,000 are hedged variable rate. Other than a possible refunding of its debt if market conditions permit, the Authority has no plans or authority to issue additional bonds, except 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 0.688% and 5.0%. 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-twelth of the next principal payment. Because of this monthly deposit requirement, the amount accrued for debt service (“debt service set aside”) 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 remarketing agents 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-E 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 currently in effect are slated to expire between April 30, 2013 and November 16, 2015 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 periods varying between three and five years. If this was to occur, annual Authority debt service expense would increase substantially. A debt service account has been established under the indenture to provide for the payment of principal of bonds outstanding under the indenture. The Trustee makes monthly deposits to the debt service account for principal debt service requirements. Additionally, the Trustee makes monthly interest payments.

The County has assumed responsibility for calculating arbitrage rebate liability on bonds or notes issued by the Authority; however, any resulting payments would be made by the Authority.
5. **LONG-TERM DEBT** (continued)

Bonds are recorded at the principal amount outstanding and consist of the following at December 31, 2012:

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>Bond Par Issued</th>
<th>Balance at 1/1/12</th>
<th>Additions</th>
<th>Retired</th>
<th>Balance at 12/31/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax Secured Bonds, Series 2001A 4% to 5.375% serial and term bonds due through 2021</td>
<td>$ 181,480</td>
<td>$ 8,060</td>
<td>-</td>
<td>$ 8,060</td>
<td>-</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds, Series 2003A 2% to 6% serial bonds due through 2023</td>
<td>275,990</td>
<td>189,180</td>
<td>-</td>
<td>176,195</td>
<td>12,985</td>
</tr>
<tr>
<td>Sales Tax Secured Refunding Bonds, Series 2003B 2% to 5% serial bonds due through 2018</td>
<td>238,485</td>
<td>90,035</td>
<td>-</td>
<td>68,790</td>
<td>21,245</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds, Series 2004A 2% to 5% serial bonds due through 2013</td>
<td>153,360</td>
<td>37,740</td>
<td>-</td>
<td>37,230</td>
<td>510</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds, Series 2004H 2.15% to 5% serial bonds due through 2017</td>
<td>187,275</td>
<td>142,365</td>
<td>-</td>
<td>85,650</td>
<td>56,715</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds, Series 2005A 3.25% to 4.6% serial due through 2024</td>
<td>124,200</td>
<td>112,275</td>
<td>-</td>
<td>25,700</td>
<td>86,575</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds Series 2005 D 3.23% to 4.32% serial and term bonds due through 2022</td>
<td>143,795</td>
<td>93,890</td>
<td>-</td>
<td>47,880</td>
<td>46,010</td>
</tr>
<tr>
<td>Sales Tax Secured Variable Rate Bonds Series 2008 A-B * due 2018 through 2025</td>
<td>250,000</td>
<td>250,000</td>
<td>-</td>
<td>-</td>
<td>250,000</td>
</tr>
<tr>
<td>Sales Tax Secured Variable Rate Bonds Series 2008 C-E * due 2012 through 2019</td>
<td>355,055</td>
<td>350,000</td>
<td>-</td>
<td>-</td>
<td>350,000</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds Series 2009 A 1% to 5% serial bonds due through 2025</td>
<td>303,100</td>
<td>254,895</td>
<td>-</td>
<td>17,525</td>
<td>237,370</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds Series 2012 A 3% to 5% serial bonds due 2015 through 2025</td>
<td>141,580</td>
<td>-</td>
<td>141,580</td>
<td>-</td>
<td>141,580</td>
</tr>
<tr>
<td>Sales Tax Secured Bonds 2012 B 0.688% to 2.822% serial bonds due 2014 through 2023</td>
<td>176,133</td>
<td>-</td>
<td>176,133</td>
<td>-</td>
<td>176,133</td>
</tr>
</tbody>
</table>

*$2,530,453 $1,528,440 $317,713 $467,030 $1,379,123

*During 2012, the interest rate on the Variable Rate Bonds ranged from .05% to 1.25%.
5. LONG-TERM DEBT (continued)

Aggregate debt service to maturity as of December 31, 2012, is as follows (dollars in thousands):

<table>
<thead>
<tr>
<th>Years Ending December 31,</th>
<th>Principal</th>
<th>Interest*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$150,965</td>
<td>$51,171</td>
<td>$202,136</td>
</tr>
<tr>
<td>2014</td>
<td>140,642</td>
<td>43,542</td>
<td>184,184</td>
</tr>
<tr>
<td>2015</td>
<td>143,585</td>
<td>38,331</td>
<td>181,916</td>
</tr>
<tr>
<td>2016</td>
<td>139,426</td>
<td>33,895</td>
<td>173,321</td>
</tr>
<tr>
<td>2017</td>
<td>129,666</td>
<td>28,925</td>
<td>158,591</td>
</tr>
<tr>
<td>2018-2022</td>
<td>539,050</td>
<td>82,932</td>
<td>621,982</td>
</tr>
<tr>
<td>2023-2025</td>
<td>135,789</td>
<td>9,112</td>
<td>144,901</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,379,123</strong></td>
<td><strong>$287,908</strong></td>
<td><strong>$1,667,031</strong></td>
</tr>
</tbody>
</table>

*Interest on the Variable Rate Bonds is calculated at the fixed payer rates on the associated interest rate swaps.

Refunding

During the year ended December 31, 2012, the Authority issued $317,713,000 of sales-tax secured bonds with interest rates ranging from 0.688% to 5.0%. The proceeds were used to currently refund $8,060,000 of Series 2001A and advance refund $314,390,000 of outstanding Series 2003A, Series 2003B, Series 2004H, and Series 2005D, which had interest rates ranging from 3.5% to 5.25%. The net proceeds of $351,297,000 (including $7,126,000 of the Authority's resources, $28,251,000 premium and after payment of $1,793,000 in underwriting and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the aforementioned bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The Authority advance refunded the aforementioned bonds to reduce its total debt service payments by $34,785,000 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $33,433,000.

*Prior year defeasance of debt.* In prior years, the Authority defeased sales-tax secured bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2012, $318,865,000 of defeased bonds remains outstanding.

In 2012, the only other major transactions that affected NIFA’s bonds were the replacement of the standby bond purchase agreements with JPMorgan Chase Bank, National Association in connection with NIFA’s Series 2008D-2 and Series 2008E Bonds, and Sumitomo Mitsui Banking Corporation in connection with NIFA’s 2008B Bonds. The new agreements expire on November 15, 2015, November 15, 2014 and March 6, 2015, respectively.
6. DERIVATIVE INSTRUMENTS – SWAP AGREEMENTS

Derivative instruments, which consist of interest rate swap agreements, have been reported at fair value as of December 31, 2012. As the interest rate swap agreements qualify as a hedging derivative instrument, the fair value has been recorded as a deferred outflow of resources.

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 GSMMDP
- $80 million notional amount (2004 Series D - swap agreement) with GSMMDP
- $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 GSMMDP
- $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")
6. DERIVATIVE INSTRUMENTS – SWAP AGREEMENTS (continued)

Fair Value — Replacement interest rates on the swaps, as of December 31, 2012, are reflected in the chart entitled “Derivative instruments - 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, 2012, 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, 2012, the total market-to-market valuation of NIFA’s swaps, including accrued interest, was negative $83,976,000. In the event that both parties continue to perform their obligations under the swap, there is not a risk of termination and 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.

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 differs by counterparty and 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 on page 35.
6. DERIVATIVE INSTRUMENTS – SWAP AGREEMENTS (continued)

Risks Associated with the Swap Agreements (continued)

The table shows the diversification, by percentage of notional amount, among the various counterparties that have entered into agreements with NIFA.

<table>
<thead>
<tr>
<th>Counterparty:</th>
<th>Dollars in Millions</th>
<th>Notional Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSMMDP</td>
<td>$275</td>
<td>45.80%</td>
</tr>
<tr>
<td>USB AG</td>
<td>275</td>
<td>45.80%</td>
</tr>
<tr>
<td>MSCS</td>
<td>50</td>
<td>8.40%</td>
</tr>
<tr>
<td></td>
<td><strong>$600</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

- **Credit/Counterparty Risk (continued)** — NIFA insured its performance in connection with the swaps originally associated with the Series 2004 B-G bonds with Ambac Assurance Corporation (“Ambac”), which is rated WR/NR/NR (Moody’s/S&P/Fitch), including NIFA termination payments. NIFA’s payments to the counterparties on the swaps originally associated with the Series 2004 I-K bonds are insured with CDC IXIS Financial Guaranty North America, Inc. (“CIFG NA”), which is rated WR/NR/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 million.

- **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, there is a cost to NIFA. Conversely, should the relationship between LIBOR and NIFA’s variable rate on its bonds move to diverge, there is a benefit to NIFA.

- **Interest Rate Risk** — The risk that changes in interest rates will adversely affect the fair value of the financial instrument or its cash flows.

NIFA is exposed to interest rate risk on its pay fixed, receive variable interest rate swap. As LIBOR decreases, NIFA’s net payment on the swaps increase.

- **Termination Risk** — The swap agreement will be terminated and if at the time of termination the fair value of the swap is negative, NIFA will be liable to the counterparty for an amount equal to the fair value.
6. DERIVATIVE INSTRUMENTS – SWAP AGREEMENTS (continued)

Risks Associated with the Swap Agreements (continued)

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.

- **Market-access risk** — The Authority is not exposed to market-access risk on its hedging derivative instruments.

- **Foreign currency risk** — The Authority is not exposed to foreign currency risk on its hedging derivative instruments.

- **Contingency** — Generally, the derivative instruments require the Authority to post collateral at varying thresholds by counterparty based on the Authority's credit rating in the form of cash, U.S. Treasury securities, or specified Agency securities. If the Authority were not to post collateral when required, the counterparty may terminate the hedging derivative instrument.

At December 31, 2012, the aggregate fair value of all hedging derivative instrument agreements whose terms contain such collateral provisions is $83,976,000. Because the Authority's credit rating is Aa1/AAA, no collateral has been required or posted.

Upon the Authority's credit ratings declining to a certain threshold (as noted below), collateral posting requirements will be triggered as follows:

- A3/A-
  - $27,141,000 in collateral to UBS AG.

- Baa1/BBB+
  - $12,125,000 in collateral to GSMMDP, $37,141,000 in collateral to UBS AG and $9,710,000 in collateral to MSCS.

- Baa2/BBB
  - $27,125,000 in collateral to GSMMDP, $37,141,000 in collateral to UBS AG and $9,710,000 in collateral to MSCS.

- Baa3/BBB-
  - $37,125,000 in collateral to GSMMDP, $37,141,000 in collateral to UBS AG, and $9,710,000 in collateral to MSCS.
6. DERIVATIVE INSTRUMENTS – SWAP AGREEMENTS (continued)

As of December 31, 2012, NIFA’s Derivative Instrument - Interest Rate Swap Valuation is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Notional Amount</td>
<td>$72,500,000</td>
<td>$72,500,000</td>
<td>$80,000,000</td>
<td>$72,500,000</td>
<td>$80,000,000</td>
<td>$50,000,000</td>
<td>$50,000,000</td>
<td>$50,000,000</td>
<td>$50,000,000</td>
<td>$600,000,000</td>
<td></td>
</tr>
<tr>
<td>Counterparty</td>
<td>GSMMDP</td>
<td>GSMMDP</td>
<td>GSMMDP</td>
<td>UBS</td>
<td>UBS</td>
<td>UBS</td>
<td>GSMMDP</td>
<td>UBS</td>
<td>MSCS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counterparty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rating (1)</td>
<td>Aa2/AAA/NA</td>
<td>Aa2/AAA/NA</td>
<td>Aa2/AAA/NA</td>
<td>Aa2/A/A</td>
<td>Aa2/A/A</td>
<td>Aa2/A/A</td>
<td>Aa2/AAA/NA</td>
<td>Aa2/A/A</td>
<td>Baa1/A-/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective Date</td>
<td>April 8, 2004</td>
<td>April 8, 2004</td>
<td>April 8, 2004</td>
<td>April 8, 2004</td>
<td>April 8, 2004</td>
<td>December 9, 2004</td>
<td>December 9, 2004</td>
<td>December 9, 2004</td>
<td>December 9, 2004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maturity Date</td>
<td>November 15, 2024</td>
<td>November 15, 2024</td>
<td>November 15, 2024</td>
<td>November 15, 2024</td>
<td>November 15, 2024</td>
<td>November 15, 2024</td>
<td>November 15, 2025</td>
<td>November 15, 2025</td>
<td>November 15, 2025</td>
<td>November 15, 2025</td>
<td></td>
</tr>
<tr>
<td>NIFA Pays</td>
<td>3.146%</td>
<td>3.146%</td>
<td>3.002%</td>
<td>3.146%</td>
<td>3.146%</td>
<td>3.003%</td>
<td>3.432%</td>
<td>3.432%</td>
<td>3.432%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replacement Rate</td>
<td>0.919%</td>
<td>0.918%</td>
<td>0.511%</td>
<td>0.919%</td>
<td>0.918%</td>
<td>0.496%</td>
<td>1.220%</td>
<td>1.220%</td>
<td>1.220%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NIFA Receives</td>
<td>60% of LIBOR plus 16 basis points weekly (Tuesday)</td>
<td>60% of LIBOR plus 16 basis points weekly (Friday)</td>
<td>60% of LIBOR plus 26 basis points monthly (4th Monday)</td>
<td>60% of LIBOR plus 16 basis points weekly (Tuesday)</td>
<td>60% of LIBOR plus 16 basis points weekly (Friday)</td>
<td>60% of LIBOR plus 26 basis points monthly (5th Thursday)</td>
<td>61.5% of LIBOR plus 20 basis points</td>
<td>61.5% of LIBOR plus 20 basis points</td>
<td>61.5% of LIBOR plus 20 basis points</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Fair Value</td>
<td>$(245,662)</td>
<td>$(243,752)</td>
<td>$1,133,077</td>
<td>$(245,662)</td>
<td>$(243,752)</td>
<td>$1,125,770</td>
<td>$(206,570)</td>
<td>$(206,570)</td>
<td>$(206,570)</td>
<td>$660,309</td>
<td></td>
</tr>
</tbody>
</table>

As of December 31, 2012:

| Total Fair Value of Swap | $(11,078,376) | $(11,083,693) | $(5,252,432) | $(11,078,376) | $(11,083,693) | $(5,269,008) | $(9,710,183) | $(9,710,183) | $(9,710,183) | $(83,975,127) |        |

(1) Moody's/S&P/Fitch.
6. DERIVATIVE INSTRUMENTS – SWAP AGREEMENTS (continued)

Swap Payments and Associated Debt - Using rates as of December 31, 2012, 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 change over time, variable-rate bond interest payments and net swap payments will change.

Variable Rate Debt and Swap Payments (in thousands):

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>Variable-Rate Bonds</th>
<th>Interest Rate Swaps</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2013</td>
<td>$31,100</td>
<td>$702</td>
</tr>
<tr>
<td>2014</td>
<td>45,300</td>
<td>664</td>
</tr>
<tr>
<td>2015</td>
<td>31,725</td>
<td>614</td>
</tr>
<tr>
<td>2016</td>
<td>61,275</td>
<td>571</td>
</tr>
<tr>
<td>2017</td>
<td>57,675</td>
<td>495</td>
</tr>
<tr>
<td>2018-2022</td>
<td>303,825</td>
<td>1,251</td>
</tr>
<tr>
<td>2023-2025</td>
<td>69,100</td>
<td>116</td>
</tr>
<tr>
<td>Total</td>
<td>$600,000</td>
<td>$4,413</td>
</tr>
</tbody>
</table>

7. RETIREMENT SYSTEM

Plan Description

The Authority participates in the New York State and Local Employees’ Retirement System (“ERS”), a cost-sharing multiple-employer employer retirement system. 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. The System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be found at http://www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001.

Funding Policy

Plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their salary for NYSERS members throughout active membership. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, depending upon their salary, throughout active membership. 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.
7. RETIREMENT SYSTEM (continued)

Funding Policy (continued)

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

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

<table>
<thead>
<tr>
<th></th>
<th>Annual Required Contribution</th>
<th>Total Payment</th>
<th>Percentage of Payroll Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$133,000</td>
<td>$133,000</td>
<td>18.43%</td>
</tr>
<tr>
<td>2011</td>
<td>100,000</td>
<td>100,000</td>
<td>13.97%</td>
</tr>
<tr>
<td>2010</td>
<td>75,000</td>
<td>75,000</td>
<td>10.49%</td>
</tr>
</tbody>
</table>

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

8. OTHER POSTEMPLOYMENT 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 toward 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 Milliman Inc., a consultant hired by the County, to estimate the benefit obligation for the fiscal year ended December 31, 2012 and 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, 2012, the date of the most recent actuarial valuation is as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Active employees</td>
<td>5</td>
</tr>
<tr>
<td>Retired employees</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
</tr>
</tbody>
</table>

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

Annual Other Postemployment Benefit Cost

For the year ended December 31, 2012, the Authority's annual other postemployment benefits costs were $82,000. Considering the annual expense as well as the payment of current health insurance premiums, which totaled $17,000 for retirees, the result was an increase in other postemployment benefits liability of $65,000.
8. OTHER POSTEMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)  
(continued)

Benefit Obligations

The benefit obligations and normal cost are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Accrued Liability (AAL)</td>
<td>$1,199,000</td>
</tr>
<tr>
<td>Actuarial value of plan assets</td>
<td>-</td>
</tr>
<tr>
<td>Unfunded actuarial accrued liability</td>
<td>$1,199,000</td>
</tr>
<tr>
<td>Funded ratio</td>
<td>0%</td>
</tr>
<tr>
<td>Normal cost</td>
<td>$57,000</td>
</tr>
<tr>
<td>Covered payroll</td>
<td>$722,000</td>
</tr>
<tr>
<td>UAAL as a percentage of covered payroll</td>
<td>166%</td>
</tr>
</tbody>
</table>

The Authority's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined 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. The unfunded actuarial liability for the Authority as of December 31, 2012 amounted to $1,199,000.

The following table shows the components of the other postemployment benefits liability:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of UAAL</td>
<td>$1,134,000</td>
</tr>
<tr>
<td>Normal cost</td>
<td>$57,000</td>
</tr>
<tr>
<td>Interest on normal cost</td>
<td>$25,000</td>
</tr>
<tr>
<td>Annual Required Contribution</td>
<td>$1,216,000</td>
</tr>
<tr>
<td>Interest on Net OPEB obligation</td>
<td>$48,000</td>
</tr>
<tr>
<td>Adjustment to annual required contribution</td>
<td>(1,182,000)</td>
</tr>
<tr>
<td>Annual OPEB expense</td>
<td>$82,000</td>
</tr>
<tr>
<td>Contributions made</td>
<td>(17,000)</td>
</tr>
<tr>
<td>Increase in net OPEB obligation</td>
<td>$65,000</td>
</tr>
<tr>
<td>Net OPEB obligation - beginning of year</td>
<td>$1,134,000</td>
</tr>
<tr>
<td>Net OPEB obligation - end of year</td>
<td>$1,199,000</td>
</tr>
</tbody>
</table>

Funded Status and Funding Progress

The Authority elected to record the entire amount of the Unfunded Actuarial Accrued Liability ("UAAL"), totaling $803,000, 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 $1,199,000 as of December 31, 2012. 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 postemployment benefits on a pay-as-you-go basis.
8. OTHER POSTEMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE)  
(continued)

Funded Status and Funding Progress (continued)

The Authority’s annual OPEB cost, the estimated annual OPEB amount contributed to the plan, and the net OPEB obligation for the current year and proceeding two years, were as follows:

<table>
<thead>
<tr>
<th>Fiscal Year End</th>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$82,000</td>
<td>20.80%</td>
<td>$1,199,000</td>
</tr>
<tr>
<td>2011</td>
<td>105,000</td>
<td>16.19%</td>
<td>1,134,000</td>
</tr>
<tr>
<td>2010</td>
<td>144,000</td>
<td>13.77%</td>
<td>1,046,000</td>
</tr>
</tbody>
</table>

The funded status of the plan as of December 31, 2012 is as follows:

- Actuarial Accrued Liability (AAL) $1,199,000
- Actuarial value of plan assets -
- Unfunded actuarial accrued liability 1,199,000
- Funded ratio 0%
- Covered payroll 722,000
- UAAL as a percentage of covered payroll 166%

The required schedule of funding progress can be found immediately following the notes, in required supplementary information, and presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2012, the date of the latest actuarial valuation, the liabilities were calculated using the Projected Unit Credit Method, level debt amortization method, and an open 30 year amortization period to amortize the initial unfunded liability. The actuarial assumptions utilized a 4.25% per annum discount rate. The valuation assumes an 8% health care cost trend for 2012 and 2013 and decrements to a rate of 5% in 2019. Retiree contributions as a percentage of premiums are assumed to remain constant over the valuation.
9. COMPENSATED ABSENCES

Authority employees are entitled to accumulate unused vacation, holiday and sick leave. In the event of termination or upon retirement an employee is entitled to be paid for that leave, up to amounts specified by the Authority. At current salary levels, the Authority’s liability for payment of vacation and holiday pay is $174,000 which includes the Authority’s share of taxes and other withholdings. Authority employees are also 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. At current salary levels, the Authority’s liability for payment of this sick leave accumulation is $117,000, 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 certain leave balances to the Authority. The value of these transferred balances is included in the foregoing amounts.

The value of accrued unused leave is has been recorded in the statements of net assets (deficit). Management believes that sufficient resources will be made available for the payments of the accrued unused leave. As of December 31, 2012, the value of the accumulated vacation time, holiday time and sick leave was approximately $291,000.

10. 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.

11. CONTROL PERIOD EXPENSES

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. On January 26, 2011, NIFA adopted a resolution declaring a control period upon its determination that there existed a substantial likelihood and imminence of the County incurring a major operating funds deficit of one percent or more in the aggregate results of operations assuming all revenues and expenditures were reported in accordance with GAAP. The County has since incurred a major operating funds deficit, measured on a GAAP basis, well in excess of that threshold.

During a control period, NIFA is empowered, among other things, to approve or disapprove proposed contracts and borrowings by the County and Covered Organizations; approve, disapprove or modify the County’s multi-year financial plan; and issue binding orders to the appropriate local officials. It can and did impose a wage freeze on March 24, 2011 for County employees. NIFA will terminate the control period upon finding that no condition exists which would permit imposition of a control period. During 2012, NIFA incurred $663,000 of expenses directly related to fulfilling its expanded oversight responsibilities of the County during the control period.
12. COMMITMENTS AND CONTINGENCIES

The Authority has been named as a defendant in actions resulting from its imposition of a control period in January of 2011. Based upon the opinion of counsel, management believes that the resolution of these matters will not have a material effect on its statement of net position or its statement of activities.

13. SUBSEQUENT EVENT

The Authority was the beneficiary of certain lawsuit settlements in connection with alleged violations of state and federal antitrust and other laws involving the marketing, sale and placement of certain municipal bond derivatives. The Authority did not initiate any such actions but, rather, was the beneficiary as part of a class action. Pursuant to the settlements, the Authority received $531,000 in exchange for rights to participate in future actions against the defendants.

14. PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

The following statements have been issued by GASB and are to be implemented in the year ending December 31, 2013:

Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and 34, modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously included as a component under the fiscal dependency criterion, a financial benefit/burden relationship must also be present between the primary government and the organization to be included in the reporting entity as a component unit. For organizations that do not meet the criterion for inclusion as a component unit but management determines it would be misleading not to include it, this statement clarifies the manner in which that determination should be made.

Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items which were previously reported as assets and liabilities.

Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and 62, provides financial and reporting guidance by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICAP Pronouncements. This statement also amends existing standards regarding accounting and financial reporting of risk financing and related insurance issues by removing the provision that limits fund based reporting of risk financing activities to the general fund and internal service funds. This statement also amends existing standards regarding accounting and financial reporting of the following: operating leases, the difference between initial investment in purchased loans and the principal balance and servicing fees related to mortgage loans when sold.

The Authority is evaluating the impact of the afore-mentioned GASB Statements on its financial statements.
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT’S DISCUSSION AND ANALYSIS
<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Accrued Liability (AAL)</th>
<th>Unfunded AAL (UAAL)</th>
<th>UAAL as Percentage Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/01/12</td>
<td>$</td>
<td>$1,199,000</td>
<td>$1,199,000</td>
<td>0%</td>
</tr>
<tr>
<td>1/01/11</td>
<td>-</td>
<td>1,134,000</td>
<td>1,134,000</td>
<td>0%</td>
</tr>
<tr>
<td>1/01/10 *</td>
<td>-</td>
<td>1,046,000</td>
<td>1,046,000</td>
<td>0%</td>
</tr>
</tbody>
</table>

* Rollforward valuation from the 1/01/09 actuarial valuation
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Nassau County Interim Finance Authority (the “Authority”), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated June 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

\[\text{Deloitte & Touche LLP}\]

June 5, 2013
Tab 3
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, 2012 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, as amended or supplemented, 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 $330,000 in interest on investments during the fiscal year ended December 31, 2012. In addition, as of December 31, 2012 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 $4,201,000 was netted against interest income.
In the year ended December 31, 2012, NIFA had two principal types of investment accounts: (1) accounts held by the Bank of New York, Trustee under the Authority’s bondIndenture, which contained debt service deposits; (2) NIFA operating fund and reserve accounts

Interest earned in the year ended December 31, 2012 from these accounts was as follows:

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Total Interest Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond and Note Related, held by Trustee</td>
<td>$330,000</td>
</tr>
</tbody>
</table>

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 May 17, 2012. As of December 31, 2012 the Authority held cash, Treasury Bills, Treasury Notes, Federal Home Loan Bank 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)
(Re-adopted May 28, 2009)
(Re-adopted April 22, 2010)
(Re-adopted April 20, 2011)
(Re-adopted May 17, 2012)

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 extend 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 it 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;
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 of 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 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.
Tab 4
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, 2012, NIFA entered into one principal category of contract:

1. Contracts related to debt liquidity substitutions, such as with bond counsel and liquidity providers.

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.
Tab 5
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 May 17, 2012 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 2012

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

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon</td>
<td>Line of Credit (2008D-1 Bonds)</td>
</tr>
<tr>
<td>Hawkins Delafield &amp; Wood LLP</td>
<td>Bond Counsel</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>Line of Credit (2008D-2 - E Bonds)</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>Line of Credit (2008B Bonds)</td>
</tr>
</tbody>
</table>

### Status of Contracts (Entered Into Prior to FY 2012)

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Service</th>
<th>Status of Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albrecht, Viggiano, Zureck &amp; Co</td>
<td>Accounting Services</td>
<td>Ongoing</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>Phone Service</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Bank of America, N.A.</td>
<td>Line of Credit (2008D-1 Bonds)</td>
<td>Ongoing*</td>
</tr>
<tr>
<td>Bank of New York Mellon</td>
<td>Trustee Banking Services</td>
<td>Ongoing</td>
</tr>
<tr>
<td>BNP Paribas</td>
<td>Line of Credit (2008D-2 - E Bonds)</td>
<td>Ongoing*</td>
</tr>
<tr>
<td>Cablevision</td>
<td>Communications</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Citigroup</td>
<td>Remarketing Agents</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Deloitte &amp; Touche</td>
<td>Financial Auditing</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Fitch Investors Service</td>
<td>Bond Monitoring Services</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Goldman, Sachs &amp; Co.</td>
<td>Remarketing Agents</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Grant Thornton</td>
<td>Accounting Services</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Ikon</td>
<td>Service Contract</td>
<td>Ongoing</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>Line of Credit (2008A Bonds)</td>
<td>Ongoing</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>Line of Credit (2008C Bonds)</td>
<td>Ongoing</td>
</tr>
<tr>
<td>KBC Bank, N.V.</td>
<td>Line of Credit (2008B Bonds)</td>
<td>Ongoing*</td>
</tr>
<tr>
<td>Lamont Financial Services Corp.</td>
<td>Financial Advisor</td>
<td>Ongoing</td>
</tr>
<tr>
<td>M R Beal</td>
<td>Remarketing Agent</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Micro Force</td>
<td>Accounting Software and Training</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Moody’s Investors Service</td>
<td>Bond Monitoring Services</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>Remarketing Agents</td>
<td>Ongoing</td>
</tr>
<tr>
<td>PFM Group</td>
<td>Financial Advisor for GASB 53</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Old Country Road Realty L.P.</td>
<td>Lease for NIFA Office</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Sidley Austin Brown &amp; Wood</td>
<td>Bond Counsel</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Skadden Arps</td>
<td>Counsel</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>Bond Monitoring Services</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>Ratings Agency</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Staples</td>
<td>Office Furniture and Supplies</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Company</td>
<td>Service Description</td>
<td>Status</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>-----------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Total Web Casting</td>
<td>Web Casting</td>
<td>Ongoing</td>
</tr>
<tr>
<td>UBS</td>
<td>Remarketing Agents</td>
<td>Ongoing</td>
</tr>
<tr>
<td>United States Life Insurance &amp; Co.</td>
<td>Long Term Disability Insurance</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Verizon</td>
<td>Phone Service</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Verizon Wireless</td>
<td>Phone Service</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

* These contracts were terminated in 2012, as indicated by an asterisk.
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)").

302. 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; however, this requirement shall be waived if there is already a vendor or vendors for such service(s) on the approved vendor list of the New York State Office of General Services.

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 herefrom.

(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 hereunder 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 transeree 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 Indemnites (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 indemnites 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 1/10th 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.
Attachment to Schedule A

[CONSULTANT LETTERHEAD]

Date
Bill #
NIFA Contract No: ___

To: Nassau County Interim Finance Authority

Attention: General Counsel and Chief Financial Officer

Matter Name/No.: _________________________

FOR PROFESSIONAL FEES

Date  Hours*  Fees**  Description of Services

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

CHARGES AND DISBURSEMENTS (grouped by category):

Date  Description  Amount

TOTAL CHARGES AND DISBURSEMENTS $ __________

TOTAL FOR FEES AND CHARGES AND DISBURSEMENTS: $ __________

Certified as true and correct __________________________

Vendor/Title

NIFA internal approval __________________

Name  Title  Date
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:

<table>
<thead>
<tr>
<th>TYPE OF EXPENSE</th>
<th>RATE OF REIMBURSEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretarial</td>
<td>None (unless overtime)</td>
</tr>
<tr>
<td>Word Processing</td>
<td>None (unless overtime and then up to $50/hr)</td>
</tr>
<tr>
<td>Local Telephone Expenses</td>
<td>None</td>
</tr>
<tr>
<td>Taxis or Private Cars</td>
<td>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.</td>
</tr>
<tr>
<td>Meal Charges</td>
<td>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.</td>
</tr>
<tr>
<td>Time Spent Preparing Bills</td>
<td>None</td>
</tr>
<tr>
<td>Long Distance Telephone</td>
<td>Actual cost</td>
</tr>
<tr>
<td>Photocopying</td>
<td>Firm’s standard rate, up to $.25/page; Actual cost if outsourced.</td>
</tr>
<tr>
<td>Fax Transmission</td>
<td>None for incoming faxes; Firm’s standard rate, up to $1.00/page for outgoing faxes</td>
</tr>
<tr>
<td>Computer Research</td>
<td>Actual cost (no overhead) and only as needed and deemed cost effective.</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Out-of-Town Travel</td>
<td>Reasonable expenses, to be submitted for approval, in advance, on a case-by-case basis.</td>
</tr>
<tr>
<td>Postage and Overnight Mail</td>
<td>None for individual letters; FedEx and other special delivery services will be reimbursed at actual cost</td>
</tr>
<tr>
<td>Messenger Service</td>
<td>Actual cost up to $15.</td>
</tr>
</tbody>
</table>
Tab 6
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 2012.
MISSION
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 (the “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.

DESCRIPTION
The Authority is a corporate governmental agency and instrumentality of the State of New York, constituting a public benefit corporation. The Authority’s operations are supported entirely through sales tax revenues (“NIFA Revenues”) and investment earnings.

GOALS
1. Evaluate Nassau County's financial condition.
2. Comment upon the County's Operating Budget, Multi-Year Financial Plan and related financial issues.
3. Serve as liaison between the County’s legislative and executive branches.
4. Manage NIFA's bond and SWAP portfolio on behalf of the County.
5. Enhance NIFA's commitment to implement its mission through continued internal development and growth.

OBJECTIVES
1. Utilize analytic tools, economic indicators, and policy trends to evaluate the County's short-term and long-term fiscal stability.
2. Produce reports and correspondence to inform the County's stakeholders of NIFA's assessment of the County's spending and revenue decisions.
3. Facilitate meetings among Nassau County elected officials, administration and NIFA Board members and staff.
4. Monitor the financial markets for opportunities to refund NIFA bonds and SWAPs to achieve cost savings and ensure fiscal stability.
5. Conduct periodic bids for the investment of NIFA's debt service set-asides to maximize interest earnings.
6. Provide professional development opportunities to NIFA staff via training, seminars and conferences.
## PERFORMANCE MEASURES

<table>
<thead>
<tr>
<th>Measure</th>
<th>FY 2011 Actual</th>
<th>FY 2012 Actual</th>
<th>FY 2013 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of County Financial Reports (% completed)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>NIFA Reports Produced (# of)</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Contracts Reviewed</td>
<td>305</td>
<td>573</td>
<td>590</td>
</tr>
<tr>
<td>Bond and Portfolio Adjustments (# completed)</td>
<td>3</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Investment Bids (# of bids solicited)</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Training Sessions (# attended)</td>
<td>10</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Webinar Sessions (# participated)</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>NIFA Meeting of the Board of Directors</td>
<td>9</td>
<td>7</td>
<td>9</td>
</tr>
</tbody>
</table>
Tab 8
CODE OF ETHICS

OF THE

NASSAU COUNTY INTERIM FINANCE AUTHORITY

(Adopted, May 4, 2006)
(Readopted, as Amended, May 2, 2007)
(Readopted June 18, 2008)
(Readopted May 28, 2009)
(Readopted April 22, 2010)
(Readopted, as Amended, April 20, 2011)
(Re-adopted May 17, 2012)
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Introduction</td>
<td>1</td>
</tr>
<tr>
<td>II. Definitions</td>
<td>2</td>
</tr>
<tr>
<td>III. Standards and Principles of Conduct</td>
<td>4</td>
</tr>
<tr>
<td>IV. Use of Material, Nonpublic and Confidential Information</td>
<td>6</td>
</tr>
<tr>
<td>V. Restrictions on Post-Employment Activities of Former Employees</td>
<td>7</td>
</tr>
<tr>
<td>VI. Certification of Absence of Conflict of Interest</td>
<td>7</td>
</tr>
<tr>
<td>VII. Requests for Interpretation, Clarification or Waiver Of This Code of Ethics</td>
<td>7</td>
</tr>
<tr>
<td>VIII. Remedies for Breaches of This Code of Ethics</td>
<td>7</td>
</tr>
</tbody>
</table>

Appendix A  Policy Making Positions of the Nassau County Interim Finance Authority
Appendix B  Anti-Retaliation Policy
Appendix C  Certification Form
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.

H. “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 April 1, 2010 this level is $88,256;
** A list of the Employees who hold policy making positions at the Authority is attached hereto as Appendix A.
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 (l) 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.

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.

Sections 73 and 74 of the Public Officers Law are incorporated by reference into this Code of Ethics.

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

Policy Making Positions of the Nassau County Interim Finance Authority

Executive Director
Deputy Director
General Counsel
Corporate Secretary
Treasurer
Deputy Treasurer
APPENDIX B

Anti-Retaliation Policy

NASSAU COUNTY INTERIM FINANCE AUTHORITY ("NIFA")
ANTI-RETAIATION 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 C

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
Tab 9
§ 3650. Short title

This title shall be known and may be cited as the “Nassau County Interim Finance Authority Act”.

§ 3651. Definitions

For the purposes of this title, unless the context otherwise requires:

1. “Authority” or “Nassau county interim finance authority” means the public benefit corporation created by this title.

2. “Bonds” means bonds, notes and other evidences of indebtedness, issued or incurred by the authority.

3. “Chief fiscal officer” means the chief fiscal officer of the county as defined in the county charter.

4. “Comptroller” means the comptroller of the county.

5. “Control period” means a period determined by the authority in accordance with section thirty-six hundred sixty-nine of this title.

6. “County” means the county of Nassau.

7. “County charter” means the county government law of Nassau county, as amended.

8. “County executive” means the county executive of the county.

9. “County tax revenues” means (a) that portion of tax revenues that is deducted and withheld for transfer and credit by the authority to the county of Nassau revenue anticipation note withholding fund established by the authority and (b) the balance of tax revenues transferred by the authority to the county, pursuant to section thirty-six hundred fifty-seven of this title.

10. “Covered organization” means the Nassau health care corporation, and any other governmental agency, public authority or public benefit corporation which receives or may receive moneys directly, indirectly or contingently from the county, but excluding the authority and (i) any governmental agency, public authority or public benefit corporation specifically exempted from the provisions of this title by order of the authority upon application of such agency, public authority, or corporation to the authority or at the authority's own motion upon a finding by the authority that such exemption does not materially affect the ability of the county to adopt and maintain a budget pursuant to the provisions of this title, and provided that at the time of such exemption, there shall have been and during the period of such exemption there shall be an annual audit by a nationally recognized independent certified public accounting firm or
consortium of firms, one of which shall be a nationally recognized firm, of the covered organization's financial statements performed in accordance with generally accepted auditing standards and report by such auditor thereon which includes an opinion that the financial statements so audited have been prepared in accordance with generally accepted accounting principles and such other information as such auditors deem appropriate, (ii) any state public authority as defined in section two hundred one of the civil service law, unless specifically named above, or (iii) any governmental agency, authority, commission or instrumentality created by compact or agreement between the state of New York and another state or states; provided, however, that the authority may terminate any exemption granted by order of the authority pursuant to this subdivision upon a determination that the circumstances upon which such exemption was granted are no longer applicable.

11. “Director of the budget” means the director of the budget of the state.

12. “Financeable costs” or “costs” means costs to finance (a) amounts necessary to accomplish a refunding, repayment or restructuring of a portion of the county's outstanding indebtedness or that of any covered organization, (b) cash flow needs of the county, (c) tax certiorari settlements and judgments of any kind to which the county is a party, (d) appropriated capital costs of the county, including the costs of any preliminary studies, surveys, maps, plans, estimates and hearings, (e) amounts necessary to finance any county deficit, to the extent authorized by state law, or (f) incidental costs, including, but not limited to, legal fees, printing or engraving, publication of notices, taking of title, apportionment of costs, and capitalized interest, insurance premiums, costs related to items authorized in subdivisions seven through ten of section thirty-six hundred fifty-four of this title or any underwriting or other costs incurred in connection with the financing thereof.

13. “Financial plan” means the financial plan of the county and the covered organizations to be developed pursuant to section thirty-six hundred sixty-seven of this title, as from time to time amended.

14. “Interim finance period” means the period of time from the effective date of this title until the date when (a) the authority shall determine, based on annual audit reports furnished in accordance with this title, that for each fiscal year, through and including fiscal year two thousand eight, that the county has adopted and adhered to budgets covering all expenditures the results of which did not show a major operating funds deficit when reported in accordance with generally accepted accounting principles, subject to the provisions of this title, and shall further determine that in the then current fiscal year there is a substantial likelihood that the results of the county's operations will not show a deficit in the major operating funds when so reported and (b) the chief fiscal officer shall certify that securities sold by or for the benefit of the county during the fiscal year immediately preceding such date and the then current fiscal year in the general public market satisfied the financing requirements of the county during such period and that there is a substantial likelihood that such securities can be sold in the general public market from such date through the end of the next succeeding fiscal year in amounts which will satisfy substantially all of the capital and seasonal financing requirements of the county during such period in accordance with the financial plan then in effect.

15. “Legislature” means the legislature of the county.

16. “Major operating funds” means the general fund, the police district fund, the police headquarters fund, the county parks fund and the fire prevention fund of the county, together with any other funds of the county or a covered organization from time to time designated by the authority.

17. “NCIFA assistance” means the amount of debt service savings in a given fiscal year generated from the proceeds of bonds made available to or for the benefit of the county or any covered organization as determined by the authority.

18. “Presiding officer” means the presiding officer of the legislature, elected pursuant to the rules of the legislature.
19. “Projected gap” means the excess, if any, of annual aggregate projected expenditures over annual aggregate projected revenues for the major operating funds in each year of a financial plan as determined by the county and certified by the authority. For purposes of determining the projected gap in each fiscal year, annual aggregate projected revenues shall not include the amount of NCIFA assistance or transitional state aid expected to be available for such fiscal year.

20. “Public corporation” means and includes the county, the state and every public corporation as defined in the general construction law.

21. “Revenues” means the tax revenues and all aid, rents, fees, charges, payments and other income and receipts paid or payable to the authority or a trustee for the account of the authority to the extent such amounts are pledged to bondholders, but in no event shall revenues include any transitional state aid.

22. “State” means the state of New York.

23. “Tax revenues” means sales and compensating use tax net collections paid or payable to the authority pursuant to section twelve hundred sixty-one of the tax law.

24. “Transitional state aid” means any state aid appropriated to the authority for the benefit of the county for (a) unrestricted aid purposes and (b) the purpose of assisting the county in streamlining the tax certiorari claims process and eliminating the need to borrow for such costs.

§ 3652. Nassau county interim finance authority

1. There is hereby created the Nassau county interim finance authority. The authority shall be a corporate governmental agency and instrumentality of the state constituting a public benefit corporation.

2. In accordance with the provisions of this title, the authority may issue bonds only to finance costs, including the refunding of bonds issued by the authority to finance costs, and fund reserves to secure such bonds.

3. The authority shall continue until its oversight, control or other responsibilities, and its liabilities have been met or otherwise discharged. Upon the termination of the existence of the authority, all of its rights and property shall pass to and be vested in the county.

§ 3653. Administration of the authority

1. The authority shall be administered by seven directors appointed by the governor. Of the seven directors, one each shall be appointed on the written recommendation of the majority leader of the state senate, the speaker of the state assembly and the state comptroller, respectively. Two of the members appointed directly by the governor and the members appointed on the recommendation of the majority leader of the state senate, the recommendation of the speaker of the state assembly and the recommendation of the state comptroller shall be residents of the county of Nassau. Each director shall be appointed for a term of four years, provided however, that two of the directors first appointed by the governor shall serve for a term ending December thirty-first, two thousand four, and the five other directors first appointed shall serve for the following terms: the directors appointed on recommendation of the majority leader of the state senate, the speaker of the state assembly and the state comptroller shall serve for a term ending
December thirty-first, two thousand five and the two remaining directors first appointed directly by the governor shall serve for a term ending on December thirty-first, two thousand six. Each director shall hold office until his or her successor has been appointed and qualified. Thereafter each director shall serve a term of four years, except that any director appointed to fill a vacancy shall serve only until the expiration of his or her predecessor's term.

2. The governor shall designate a chairperson and a vice-chairperson from among the directors. The chairperson shall preside over all meetings of the directors and shall have such other duties as the directors may prescribe. The vice-chairperson shall preside over all meetings of the directors in the absence of the chairperson and shall have such other duties as the directors may prescribe.

3. The directors of the authority shall serve without salary, but each director shall be reimbursed for actual necessary expenses incurred in the performance of such director's official duties as a director of the authority.

4. Notwithstanding any inconsistent provision of any general, special or local law, ordinance, resolution or charter, no officer, member or employee of the state of New York, any city, county, town or village, any governmental entity operating any public school or college, any school district or any other public agency or instrumentality which exercises governmental powers under the laws of the state, shall forfeit his or her office or employment by reason of his or her acceptance of appointment as a director, officer or employee of the authority, nor shall service as such director, officer or employee of the authority be deemed incompatible or in conflict with such office or employment.

5. Four directors shall constitute a quorum for the transaction of any business or the exercise of any power of the authority. No action shall be taken by the authority except pursuant to a favorable vote of at least four directors participating in a meeting at which such action is taken.

6. The authority shall appoint a treasurer and may appoint officers and agents as it may require and prescribe their duties.

7. At least annually, commencing no more than one year after the date on which authority bonds are first issued, the authority shall report to the county executive, county legislature, the county comptroller, the director of the budget and the state comptroller on the costs financed by the authority and the amount of such financing for each such cost over the past year.

§ 3654. General powers of the authority

Except as otherwise limited by this title, the authority shall have the following powers in addition to those specially conferred elsewhere in this title, subject only to agreements with bondholders:

1. to sue and be sued;

2. to have a seal and alter the same at pleasure;

3. to make and alter by-laws for its organization and management and, subject to agreements with its bondholders, to make and alter rules and regulations governing the exercise of its powers and fulfillment of its purposes under this title;

4. to make and execute contracts and all other instruments or agreements necessary or convenient to carry out any
powers and functions expressly given in this title;

5. to commence any action to protect or enforce any right conferred upon it by any law, contract or other agreement;

6. to borrow money and issue bonds, or to refund the same, and to provide for the rights of the holders of its bonds;

7. as security for the payment of the principal of and interest on any bonds issued by it pursuant to this title and any agreements made in connection therewith and for its obligations under bond facilities, to pledge all or any part of its revenues or assets;

8. to procure insurance, letters of credit or other credit enhancement with respect to its bonds, or facilities for the payment of tenders of such bonds or facilities for the payment upon maturity of short-term notes not renewed;

9. to enter into interest rate exchange or similar arrangements with any person under such terms and conditions as the authority may determine, not inconsistent with the general laws of this state and other provisions of this title, including, without limitation, provisions as to default or early termination and indemnification by the authority or any other party thereto for loss of benefits as a result thereof; provided, however, that such exchanges or similar arrangements shall be limited to fifty percent of the amount authorized in subdivision one of section thirty-six hundred fifty-six of this article to pay the financeable costs described in paragraph (a) of subdivision eleven of section thirty-six hundred fifty-one of this article;

10. to procure insurance, letters of credit or other credit enhancement with respect to arrangements described in subdivision nine of this section;

11. to accept gifts, grants, loans or contributions of funds or financial or other aid in any form from the county, state or federal government or any agency or instrumentality thereof, or from any other source and to expend the proceeds for any of its corporate purposes in accordance with the provisions of this title;

12. subject to the provisions of any contract with bondholders, to invest any funds held in reserves or sinking funds, or any funds not required for immediate use or disbursement, at the discretion of the authority, in (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 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, (d) commercial paper of any bank or corporation 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 corporation, 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 governmental 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 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, and (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.

13. to appoint such officers and employees as it may require for the performance of its duties and to fix and determine their qualifications, duties, and compensation, and to retain or employ counsel, auditors and private financial consultants and other services on a contract basis or otherwise for rendering professional, business or technical services and advice; and, in taking such actions, the authority shall consider the financial impact on the county; and

14. to do any and all things necessary or convenient to carry out its purposes and exercise the powers expressly given and granted in this title; provided, however, such authority shall under no circumstances acquire, hold or transfer title to, lease, own beneficially or otherwise, manage, operate or otherwise exercise control over any real property, any improvement to real property or any interest therein other than a lease or sublease of office space deemed necessary or desirable by the authority.

§ 3655. Declaration of need

1. The county shall determine and declare whether it requests the authority to undertake a financing of costs. Any such request shall be made by the county executive and approved by the legislature. Any such financing shall be consistent with the adopted budget and financial plan required under sections thirty-six hundred sixty-six and thirty-six hundred sixty-seven of this title, as applicable.

2. Upon declaration by the county of such need, the county executive shall request that the authority provide financing in accordance with this title.

3. Upon approval by the authority, in its discretion in accordance with the provisions of this title, of such financing request, the authority may enter into agreements with the county, and the county, acting by the county executive, approved by the legislature, may enter into agreements with the authority in accordance with the provisions of this title as to the financing of costs by the authority, the application of tax revenues to the authority to secure its bonds, and further assurances in respect of the authority's receipt of such revenues and the fiscal affairs of the county, including but not limited to the manner of preparation of budget reports and financial plans as provided for in sections thirty-six hundred sixty-six and thirty-six hundred sixty-seven of this title, as applicable. The authority's revenues shall not be deemed funds of the county. Any such agreements may be pledged by the authority to secure its bonds and may not be modified thereafter except as provided by the terms of the pledge.

4. Such agreements shall (a) describe the particular financeable costs to be financed in whole or in part by the authority, (b) describe the plan for the financing of the costs, (c) set forth the method by which and by whom and the terms and conditions upon which money provided by the authority shall be disbursed to the county, (d) where appropriate, provide for the payment of such costs by the county under such contracts as shall be awarded by the county or for the county to make a capital contribution of such proceeds as county funds to another entity for the payment or reimbursement of such costs, and (e) require every contract entered into by the county, or another entity receiving
funds from the county, for costs to be financed in whole or in part by the authority to be subject to the provisions of the county charter and other applicable laws governing contracts of the county or such entity, as the case may be. Nothing contained in this title shall relieve or modify the application to the county or any entity acting on behalf of the county or any covered organization of the requirements of law relating (i) to contracts for procurement, design, construction, services and materials, or (ii) the provisions of section two hundred twenty of the labor law, or (iii) the provisions of article five-A of the general municipal law.

5. At least annually, commencing no more than one year after the date on which authority bonds are first issued, the county executive shall report to the authority, the comptroller, the legislature, the state comptroller, the chairs of the senate finance committee and the assembly ways and means committee, and the director of the budget on the costs financed by the authority and the amount of such financing over the past year, which report shall describe, by reference to the specific items in the county's budget or financial plan, its compliance therewith.

→ § 3656. Bonds of the authority

1. The authority shall have the power and is hereby authorized from time to time to issue bonds in such principal amounts as it may determine to be necessary pursuant to section thirty-six hundred fifty-five of this title to pay any financeable costs and to fund reserves to secure such bonds, including incidental expenses in connection therewith. Provided, however, the aggregate principal amounts of such bonds issued to pay the financeable costs described in paragraph (a) of subdivision twelve of section thirty-six hundred fifty-one of this title shall not exceed four hundred fifteen million dollars, excluding bonds, notes, or other obligations issued to refund or otherwise repay bonds, notes, or other obligations theretofore issued for such purposes. Notwithstanding the foregoing limit on the amount of bonds that the authority may issue to pay the financeable costs described in paragraph (a) of subdivision twelve of section thirty-six hundred fifty-one of this title, the authority shall have the power to issue up to an additional seven hundred ninety million dollars of bonds, excluding bonds, notes, or other obligations issued to refund or otherwise repay bonds, notes, or other obligations theretofore issued for such purpose, to pay such costs if the county's indebtedness to be refunded, repaid or restructured with the payment of such bonds was originally incurred by the county to pay tax certiorari settlements or assignments of any kind to which the county is a party. Provided further, the aggregate principal amounts of such bonds issued to pay the financeable costs described in paragraph (c) of subdivision twelve of section thirty-six hundred fifty-one of this title, which resulted from certiorari proceedings commenced prior to June first, two thousand, shall not exceed four hundred million dollars, excluding bonds, notes, or other obligations issued to refund or otherwise repay bonds, notes, or other obligations theretofore issued for such purposes. And, provided further, the aggregate principal amounts of such bonds issued to pay the financeable county costs described in paragraph (c) of subdivision twelve of section thirty-six hundred fifty-one of this title, which resulted from certiorari proceedings commenced on or after June first, two thousand, shall not exceed four hundred million dollars in the aggregate for the fiscal years two thousand through two thousand seven, however, of said four hundred million dollars only fifteen million dollars may be issued in the fiscal year two thousand six and ten million dollars may be issued in the fiscal year two thousand seven, excluding bonds, notes, or other obligations issued to refund or otherwise repay bonds, notes, or other obligations theretofore issued for such purposes. Effective in the year two thousand six, upon request of the county, the authority shall issue, in the amount requested, bonds to pay tax certiorari settlements or judgments of any kind to which the county is a party, not to exceed fifteen million dollars; and effective in the year two thousand seven, upon request of the county, the authority shall issue, in the amount requested, bonds to pay tax certiorari settlements or judgments of any kind to which the county is a party, not to exceed ten million dollars. Whenever this title establishes a limit on the principal amount of bonds that the authority is authorized to issue, there shall not be counted against such limit (i) amounts determined by the authority as reasonable to be used to pay the cost of issuing such bonds, (ii) the amount of bonds that would constitute interest under the Internal Revenue Code of 1986, [FN1] as amended, and (iii) amounts determined by the authority as necessary to establish any reserves.

The authority shall have the power from time to time to refund any bonds of the authority by the issuance of new bonds, whether the bonds to be refunded have or have not matured, and may issue bonds partly to refund bonds of the authority then outstanding and partly to pay the financeable costs pursuant to section thirty-six hundred fifty-five of this title. Bonds issued by the authority shall be payable solely out of particular revenues or other moneys of the authority as may be designated in the proceedings of the authority under which the bonds shall be authorized to be issued, subject to any agreements entered into between the authority and the county, and subject to any agreements with the holders of outstanding bonds pledging any particular revenues or moneys; but in no event shall transitional state aid be pledged as security for or be made available for the payment of bonds.

2. The authority is authorized to issue its bonds for a period ending not later than December thirty-first, two thousand seven. The authority may issue bonds to refund bonds previously issued without regard to the limitation in the first sentence of this subdivision, but in no event shall any bonds of the authority finally mature later than January thirty-first, two thousand thirty-six. Notwithstanding any other provision of law, no bond of the authority shall mature more than thirty years from the date of its issue.

3. Bonds of the authority may be issued, amortized, redeemed and refunded without regard to the provisions of the local finance law; provided, however, that the principal amount of outstanding bonds issued by the authority shall be deemed to be indebtedness of the county solely in ascertaining the amount of indebtedness the county may contract pursuant to the local finance law and the state constitution and the authority shall not exceed such limitation.

4. The directors may delegate to the chairperson or other director or officer of the authority the power to set the final terms of bonds.

5. The authority in its sole discretion shall determine that the issuance of its bonds is appropriate. Bonds shall be authorized by resolution of the authority. Bonds shall bear interest at such fixed or variable rates and shall be in such denominations, be in such form, either coupon or registered, be sold at such public or private sale, be executed in such manner, be denominated in United States currency, be payable in such medium of payment, at such place and be subject to such terms of redemption as the authority may provide in such resolution. No bonds of the authority may be sold at private sale unless such sale and the terms thereof have been approved in writing by (a) the state comptroller where such sale is not to the state comptroller, or (b) the director of the budget, where such sale is to the state comptroller.

6. As a condition precedent to authorizing the issuance of any bonds hereunder, the authority may include in any agreement with the county such provisions as are deemed necessary and appropriate including express provisions regarding compliance with sections thirty-six hundred sixty-six and thirty-six hundred sixty-seven of this title, as applicable.

7. Any resolution or resolutions authorizing bonds or any issue of bonds may contain provisions which may be a part of the contract with the holders of the bonds thereby authorized as to:

(a) pledging all or part of the authority's revenues, together with any other moneys, securities or contracts, to secure the payment of the bonds, subject to such agreements with bondholders as may then exist;

(b) the setting aside of reserves and the creation of sinking funds and the regulation and disposition thereof;

(c) limitations on the purposes to which the proceeds from the sale of bonds may be applied;

(d) limitations on the issuance of additional bonds, the terms upon which additional bonds may be issued and secured.
and the refunding of bonds;

(e) the procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, including the proportion of bondholders which must consent thereto and the manner in which such consent may be given;

(f) vesting in a trustee or trustees such properties, rights, powers and duties in trust as the authority may determine, which may include any or all of the rights, powers and duties of the trustee appointed by the bondholders pursuant to section thirty-six hundred sixty-four of this title and limiting or abrogating the rights of the bondholders to appoint a trustee under such section or limiting the rights, duties and powers of such trustee; and

(g) defining the acts or omissions to act which may constitute a default in the obligations and duties of the authority to the bondholders and providing for the rights and remedies of the bondholders in the event of such default, including as a matter of right the appointment of a receiver; provided, however, that such acts or omissions to act which may constitute a default and such rights and remedies shall not be inconsistent with the general laws of the state and other provisions of this title.

8. In addition to the powers herein conferred upon the authority to secure its bonds, the authority shall have power in connection with the issuance of bonds to enter into such agreements for the benefit of the bondholders as the authority may deem necessary, convenient or desirable concerning the use or disposition of its revenues or other moneys, including the entrusting, pledging or creation of any other security interest in any such revenues, moneys and the doing of any act, including refraining from doing any act, which the authority would have the right to do in the absence of such agreements. The authority shall have power to enter into amendments of any such agreements within the powers granted to the authority by this title and to perform such agreements. The provisions of any such agreements may be made a part of the contract with the holders of bonds of the authority.

9. Notwithstanding any provision of the uniform commercial code to the contrary, any pledge of or other security interest in revenues, moneys, accounts, contract rights, general intangibles or other personal property made or created by the authority shall be valid, binding and perfected from the time when such pledge is made or other security interest attaches without any physical delivery of the collateral or further act, and the lien of any such pledge or other security interest shall be valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the authority irrespective of whether such parties have notice thereof. No instrument by which such a pledge or security interest is created nor any financing statement need be recorded or filed.

10. Whether or not the bonds of the authority are of such form and character as to be negotiable instruments under the terms of the uniform commercial code, the bonds are hereby made negotiable instruments within the meaning of and for all the purposes of the uniform commercial code, subject only to the provisions of the bonds for registration.

11. Neither the directors of the authority nor any person executing bonds shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof. The bonds or other obligations of the authority shall not be a debt of either the state or the county, and neither the state nor the county shall be liable thereon, nor shall they be payable out of any funds other than those of the authority; and such bonds shall contain on the face thereof a statement to such effect.

12. The authority, subject to such agreements with bondholders as then may exist, shall have power to purchase bonds of the authority out of any moneys available therefor, which shall thereupon be cancelled.
§ 3657. Resources of the authority

1. Subject to the provisions of this title, the directors of the authority shall receive, accept, invest, administer, expend and disburse for its corporate purposes all money of the authority from whatever sources derived including (a) tax revenues; (b) the proceeds of bonds; and (c) any other payments, gifts or appropriations to the authority from any other source.

2. Subject to the provisions of any contract with bondholders, (a) the money of the authority shall be paid to the authority and shall not be commingled with any other money, and (b) all money received by the authority which, together with other money of the authority available for the expenses of the authority, the payment of debt service and payments to reserve funds, exceeds the amount required for such purposes, as determined by the authority, shall, subject to the provisions of subdivision six of this section and to the terms of any agreement between the authority and the county, be transferred to the county as frequently as practicable.

3. The money in any of the authority's accounts shall be paid out on checks signed by the treasurer of the authority, or by other lawful and appropriate means such as wire or electronic transfer, on requisitions of the chairperson of the authority or of such other officer as the directors shall authorize to make such requisition, or pursuant to a bond resolution or trust indenture.

4. All deposits of authority money shall be secured by obligations of the United States or of the state or of the county at a market value at least equal at all times to the amount of the deposit, and all banks and trust companies are authorized to give such security for such deposits. The authority shall have the power, notwithstanding the provisions of this section, to contract with the holders of any of its bonds as to the custody, collection, securing, investment and payment of any money of the authority or any money held in trust or otherwise for the payment of bonds or in any way to secure bonds, and to carry out any such contract notwithstanding that such contract may be inconsistent with the other provisions of this title. Money held in trust or otherwise for the payment of bonds or in any way to secure bonds and deposits of such money may be secured in the same manner as money of the authority, and all banks and trust companies are authorized to give such security for such deposits.

5. Tax revenues received by the authority pursuant to section twelve hundred sixty-one of the tax law, together with any other revenues received by the authority, shall be applied in the following order of priority: first pursuant to the authority's contracts with bondholders, then to pay the authority's operating expenses not otherwise provided for, and then, subject to the authority's agreements with the county, to transfer the balance of such tax revenues not required to meet contractual or other obligations of the authority to the county as frequently as practicable.

6. (a) This subdivision shall apply only to revenue anticipation notes, including renewals thereof, issued by the county during its fiscal year ending December thirty-first, two thousand, in anticipation of the receipt of county tax revenues, and only to such issues of revenue anticipation notes as to which the certificate described in paragraph (b) of this subdivision is filed.

(b) Notwithstanding the provisions of subdivision five of this section with respect to the transfer of the balance of tax revenues to the county, prior to the delivery of each such issue of revenue anticipation notes, the chief fiscal officer of the county shall file with the authority a request that the authority establish a county of Nassau revenue anticipation note withholding fund which shall constitute a special bank account for purposes of paragraph g of section 25.00 of the local finance law. Such request by such chief fiscal officer shall be accompanied by a certificate setting forth with respect to such issue (i) the principal amount, (ii) the date of issue, (iii) the maturity date, (iv) the interest rate or rates, (v) if interest shall be payable otherwise than at maturity, the date or dates for the payment thereof, (vi) the name and address of the paying agent, (vii) the name and address of each purchaser, or, if a purchaser shall be a syndicate or
similar account, the name and address of each managing underwriter of such syndicate or similar account, (viii) the amount payable on each principal payment date and interest payment date, and (ix) a schedule setting forth the total amount of county tax revenues anticipated to be received, and the expected date or dates of anticipated receipt of such county tax revenues. Such certificate shall be accompanied by a statement executed by the chief fiscal officer certifying that the amounts and times of payments of county tax revenues contained in such schedule have been estimated by the use of reasonable and appropriate data and methods of estimation, all in accordance with applicable law.

(c) All such revenue anticipation notes, in addition to a pledge of the faith and credit of the county for the payment thereof, shall contain a recital to the effect that they are entitled to the benefits of the provisions of this subdivision.

(d) Commencing on the date not less than five days prior to and on each day thereafter up to and including any principal and/or interest payment date referred to in the certificate filed by the chief fiscal officer with the authority pursuant to paragraph (b) of this subdivision, the authority shall pay to such paying agent from county tax revenues transferred and credited by the authority to the county of Nassau revenue anticipation note withholding fund as provided in paragraph (e) of this subdivision the amount required to pay in full the principal and/or interest due on such payment date as set forth in such certificate. Moneys so paid shall pass immediately from the authority and vest in such paying agent in trust for the benefit of the holders of the revenue anticipation notes to which such certificate relates. No other person having any claim of any kind in tort, contract or otherwise against the county shall have any right to or claim against the moneys held by such paying agent, and such moneys shall not be subject to any order, judgment, lien, execution, attachment, setoff or counterclaim by any such other person. Such moneys shall be held by such paying agent in a separate trust account and shall be applied only to the payment of the principal and/or interest due on such revenue anticipation notes, provided, however, that the contract by and between the county and such paying agent may provide for (i) the investment by such paying agent of such moneys in direct obligations of, or in obligations guaranteed by, the United States of America, provided such obligations shall be payable or redeemable at the option of the holder within such time as the proceeds shall be needed to pay such principal and/or interest due on such revenue anticipation notes, and (ii) the use by such paying agent of such moneys for the purchase of direct obligations of, or obligations guaranteed by, the United States of America under one or more repurchase agreements with any bank or trust company having its principal office in the state of New York, provided that any such repurchase agreement shall provide for the repurchase of such obligations within such time as such moneys are needed to pay the principal and/or interest due on such revenue anticipation notes at a repurchase price at least sufficient to make the amount so invested available for the payment of principal and/or interest due on such revenue anticipation notes, and provided, further, that, at the time of such purchase, the market value of such obligations shall be at least equal to one hundred two per centum of the amount so invested. No person having any claim of any kind in tort, contract or otherwise against the county shall have any right to or claim against any moneys in anticipation of which such notes have been issued, other than a claim for payment by the holders of such notes, and such moneys shall not be subject to any order, judgment, lien, execution, attachment, setoff or counterclaim by any such person. Notwithstanding any provision of law to the contrary, no instrument relating to any transaction authorized or contemplated by this paragraph need be filed under the provisions of the uniform commercial code.

(e) Commencing on the day when the authority determines that the principal and interest due or to come due on such outstanding revenue anticipation notes issued against such county tax revenues in accordance with the provisions of this subdivision shall equal the amount of such county tax revenues as set forth on the schedule included in the certificate filed with the authority pursuant to paragraph (b) of this subdivision remaining to be paid to the county on or prior to any principal and/or interest payment date, the authority shall deduct and withhold from the amount of such county tax revenues otherwise payable to the county an amount sufficient to pay, when due, the principal of and interest on all such revenue anticipation notes issued and then outstanding in anticipation thereof. Amounts so deducted and withheld shall be transferred and credited by the authority to the account established for such county tax revenues in the county of Nassau revenue anticipation note withholding fund established by the authority in accordance with the chief fiscal officer's request pursuant to paragraph (b) of this subdivision. The payments required to be
made by the authority pursuant to paragraph (d) of this subdivision shall be made from amounts on deposit in the accounts established for such county tax revenues in the county of Nassau revenue anticipation note withholding fund.

(f) Notwithstanding any other provision of this subdivision, at the expiration of one hundred eighty days after the maturity date of any issue of revenue anticipation notes issued in accordance with the provisions of this subdivision, the amounts held by the paying agent thereof for the payment of the principal of and interest on the notes of such issue which have not been presented for payment shall be paid over and remitted by such paying agent to the county and thereafter the holders of such notes shall look only to the county for such payment.

(g) All other provisions of the local finance law not inconsistent with the provisions of this subdivision shall continue to apply to the authorization and issuance of revenue anticipation notes by the county.

→ § 3658. Agreement with the state

The state does hereby pledge to and agree with the holders of any issue of bonds issued by the authority pursuant to this title and secured by such a pledge that the state will not limit, alter or impair the rights hereby vested in the authority to fulfill the terms of any agreements made with such holders pursuant to this title, or in any way impair the rights and remedies of such holders or the security for such bonds until such bonds, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged. The authority is authorized to include this pledge and agreement of the state in any agreement with the holders of such bonds. Nothing contained in this title shall be deemed to restrict the right of the state to amend, modify, repeal or otherwise alter statutes imposing or relating to taxes or fees, or appropriations relating thereto. The authority shall not include within any resolution, contract or agreement with holders of the bonds issued under this title any provision which provides that a default occurs as a result of the state exercising its right to amend, repeal, modify or otherwise alter such taxes, fees, or appropriations. Nothing in this title shall be deemed to obligate the state to make any payments or impose any taxes to satisfy the debt service obligations of the authority.

→ § 3659. Agreement with the county

The county is authorized to pledge to and agree with the holders of any issue of bonds issued by the authority pursuant to this title and secured by such a pledge that the county will not limit, alter or impair the rights hereby vested in the authority to fulfill the terms of any agreements made with such holders pursuant to this title, or in any way impair the rights and remedies of such holders or the security for such bonds until such bonds, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged. Nothing contained in this title shall be deemed to restrict any right of the county to amend, modify or otherwise alter local laws, ordinances or resolutions imposing or relating to the taxes imposed pursuant to the authority of article twenty-nine of the tax law or other taxes or fees or appropriations related to any such taxes or fees, so long as, after giving effect to such amendment, modification or other alteration, the amount of tax revenues projected by the authority to be available during each of its fiscal years following the effective date of such amendment, modification or other alteration shall be not less than two hundred percent of maximum annual debt service on authority bonds then outstanding. Subject to the foregoing sentence, the authority shall not include in any resolution, contract or agreement with the holders of its bonds any provision which provides that a default occurs as a result of the county exercising its right to amend, modify, or otherwise alter such taxes imposed pursuant to the authority of article twenty-nine of the tax law or other taxes or fees. Nothing in this title shall be deemed to obligate the county to make additional payments or impose taxes other than those imposed pursuant to the authority of paragraph one of subdivision (a) of section twelve hundred ten of the tax law to satisfy the debt service obligations of the authority.
§ 3660. Bonds legal for investment and deposit

The bonds of the authority are hereby made securities in which all public officers and bodies of the state and all public corporations, municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, conservators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the state, may properly and legally invest funds, including capital, in their control or belonging to them. The bonds are also hereby made securities which may be deposited with and may be received by all public officers and bodies of the state and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the state is now or may hereafter be authorized.

§ 3661. Tax exemption and tax contract by the state

1. It is hereby determined that the creation of the authority and the carrying out of its corporate purposes are in all respects for the benefit of the people of the state of New York and are public purposes. Accordingly, the authority shall be regarded as performing an essential governmental function in the exercise of the powers conferred upon it by this title. The property of the authority, its income and its operations shall be exempt from taxation, assessments, special assessments and ad valorem levies. The authority shall not be required to pay any fees, taxes, special ad valorem levies or assessments of any kind, whether state or local, including, but not limited to, fees, taxes, special ad valorem levies or assessments on real property, franchise taxes, sales taxes or other taxes, upon or with respect to any property owned by it or under its jurisdiction, control or supervision, or upon the uses thereof, or upon or with respect to its activities or operations in furtherance of the powers conferred upon it by this title, or upon or with respect to any fares, tolls, rentals, rates, charges, fees, revenues or other income received by the authority.

2. Any bonds issued pursuant to this title, their transfer and the income therefrom shall, at all times, be exempt from taxation.

3. The state hereby covenants with the purchasers and with all subsequent holders and transferees of bonds issued by the authority pursuant to this title, in consideration of the acceptance of and payment for the bonds, that the bonds of the authority issued pursuant to this title and the income therefrom and all revenues, moneys, and other property pledged to pay or to secure the payment of such bonds shall at all times be exempt from taxation.

§ 3662. Actions against the authority

1. Except in an action for wrongful death, no action or proceeding shall be prosecuted or maintained against the authority for personal injury or damage to real or personal property alleged to have been sustained by reason of the negligence or wrongful act of the authority or of any director, officer, agent or employee thereof, unless (a) it shall appear by and as an allegation in the complaint or moving papers that a notice of claim shall have been made and served upon the authority, within the time limit prescribed by and in compliance with section fifty-e of the general municipal law, (b) it shall appear by and as an allegation in the complaint or moving papers that at least thirty days have elapsed since the service of such notice and that adjustment or payment thereof has been neglected or refused, and (c) the action or proceeding shall be commenced within one year after the happening of the event upon which the
claim is based. An action against the authority for wrongful death shall be commenced in accordance with the notice of
claim and time limitation provisions of title eleven of article nine of this chapter.

2. Wherever a notice of claim is served upon the authority, it shall have the right to demand an examination of the
claimant relative to the occurrence and extent of the injuries or damages for which claim is made, in accordance with
the provisions of section fifty-h of the general municipal law.

3. The authority may require any person presenting for settlement an account or claim for any cause whatever against
the authority to be sworn before a director, counsel or an attorney, officer or employee thereof designated for such
purpose, concerning such account or claim and when so sworn, to answer orally as to any facts relative to such account
or claim. The authority shall have power to settle or adjust any claims in favor of or against the authority.

4. The rate of interest to be paid by the authority upon any judgment for which it is liable, other than a judgment on
bonds, shall not exceed the maximum rate of interest on judgments and accrued claims against municipal authorities as
provided in the general municipal law. Interest on payments of principal or interest on any bonds in default shall
accrue at the rate specified in the general municipal law until paid or otherwise satisfied.

5. The venue of every action, suit or special proceeding brought against the authority shall be laid in the supreme court
in the county of Nassau.

6. Neither any director of the authority nor any officer, employee, or agent of the authority, while acting within the
scope of his or her authority, shall be subject to any liability resulting from exercising or carrying out any of the
powers given in this title.

7. Indemnification. (a) The state shall save harmless and indemnify directors, officers and employees of and repre-
sentatives to the authority, all of whom shall be deemed officers and employees of the state for purposes of section
seventeen of the public officers law, against any claim, demand, suit, or judgment arising by reason of any act or
omission to act by such director, officer, employee or representative occurring in the discharge of his or her duties and
within the scope of his or her service on behalf of the authority including any claim, demand, suit or judgment based
on allegations that financial loss was sustained by any person in connection with the acquisition, disposition or holding
of securities or other obligations. In the event of any such claim, demand, suit or judgment, a director, officer or
employee of or representative to the authority shall be saved harmless and indemnified, notwithstanding the limita-
tions of subdivision one of section seventeen of the public officers law, unless such individual is found by a final
judicial determination not to have acted, in good faith, for a purpose which he or she reasonably believed to be in the
best interest of the authority or not to have had reasonable cause to believe that his or her conduct was lawful.

(b) In connection with any such claim, demand, suit, or judgment, any director, officer or employee of or representa-
tive to the authority shall be entitled to representation by private counsel of his or her choice in any civil judicial
proceeding whenever the attorney general determines based upon his or her investigation and review of the facts and
circumstances of the case that representation by the attorney general would be inappropriate. The attorney general
shall notify the individual in writing of such determination that the individual is entitled to be represented by private
counsel. The attorney general may require, as a condition to payment of the fees and expenses of such representative,
that appropriate groups of such individuals be represented by the same counsel. If the individual or groups of indi-
viduals is entitled to representation by private counsel under the provisions of this section, the attorney general shall so
certify to the state comptroller. Reasonable attorneys' fees and litigation expenses shall be paid by the state to such
private counsel from time to time during the pendency of the civil action or proceeding, subject to certification that the
individual is entitled to representation under the terms and conditions of this section by the authority, upon the audit
and warrant of the state comptroller. The provisions of this subdivision shall be in addition to and shall not supplant
any indemnification or other benefits heretofore or hereafter conferred upon directors, officers, or employees of and representatives to the authority by section seventeen of the public officers law, by action of the authority or otherwise. The provisions of this subdivision shall inure only to directors, officers and employees of and representatives to the authority, shall not enlarge or diminish the rights of any other party, and shall not impair, limit or modify the rights and obligations of any insurer under any policy of insurance.

§ 3663. Audits

1. The accounts of the authority shall be subject to the audit of the comptroller and the state comptroller. In addition, the authority shall be subject to an annual financial audit performed by an independent certified accountant selected by the authority. Such audit report shall be submitted to the county executive, the presiding officer, the comptroller, the governor, the state comptroller, the chair and ranking minority member of the senate finance committee and the chair and ranking minority member of the assembly ways and means committee.

2. For each fiscal year during the existence of the authority, and within one hundred twenty days after the close of the county's fiscal year, the county shall submit its audited financial statements to the authority.

§ 3664. Remedies of bondholders

Subject to any resolution or resolutions adopted pursuant to paragraph (f) of subdivision seven of section thirty-six hundred fifty-six of this title:

1. In the event that the authority shall default in the payment of principal of or interest on any issue of bonds after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty days, or shall default in any agreement made with the holders of any issue of bonds, the holders of at least twenty-five per centum in aggregate principal amount of the bonds of such issue then outstanding, by instrument or instruments filed in the office of the clerk of the county and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of such bonds for the purpose provided in this section.

2. Such trustee may, and upon written request of the holders of at least twenty-five per centum in principal amount of such bonds outstanding shall, in his or her or its own name:

(a) by action or proceeding in accordance with the civil practice law and rules, enforce all rights of the bondholders and require the authority to carry out any other agreements with the holders of such bonds and to perform its duties under this title;

(b) bring an action or proceeding upon such bonds;

(c) by action or proceeding, require the authority to account as if it were the trustee of an express trust for the holder of such bonds; and

(d) by action or proceeding, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds.

3. Such trustee shall, in addition to the provisions of subdivisions one and two of this section, have and possess all of
the powers necessary or appropriate for the exercise of any functions specifically set forth in this section or incident to
the general representation of bondholders in the enforcement and protection of their rights.

4. The supreme court shall have jurisdiction of any action or proceeding by the trustee on behalf of such bondholders.

§ 3665. Assistance to the authority; employees of the authority

1. With the consent of any public corporation, the authority may use agents, employees and facilities thereof, paying to
such public corporation its agreed proportion of the compensation or costs.

2. Officers and employees of state or county agencies may be transferred to the authority without examination and
without loss of any civil service or retirement status or rights. Any officer or employee of the authority who heretofore
acquired or shall hereafter acquire such position status by transfer and who at the time of such transfer was a member
of the New York state and local employees' retirement system shall continue to be a member of such system as long as
he or she continues in such service, and shall continue to have all the rights, privileges and obligations of membership
in such system.

§ 3666. 2000 fiscal year budget modification

1. The control period as set forth in section thirty-six hundred sixty-nine of this title shall be instituted on June thirtieth,
two thousand, unless prior to such date (a) the county executive, after approval by the legislature, shall have submitted
to the authority a modification to the county's budget for the 2000 fiscal year, as in effect on May tenth, two thousand;
and (b) the authority shall have determined that such modification when implemented will ensure a reduction of the
projected gap, through recurring or nonrecurring actions, for the 2000 fiscal year and, together with any budget
modifications prior to May tenth, two thousand, through recurring actions, for the three next succeeding fiscal years, in
an amount not less than fifty million dollars per year.

2. In order that such budget modification be effective on or before June thirtieth, two thousand, the county executive
shall within seven days following the effective date of this title [FN1] submit a proposed modification to the legisla-
ture. Within seven days thereafter, the legislature shall approve such modification or a substitute modification. Upon
approval by the legislature, the county executive shall submit such modification to the authority. Not later than ten
days after such budget modification shall have been submitted to the authority, the authority shall approve or disa-
prove such modification, provided that the authority may approve such modification only upon its determination that
such modification when implemented will ensure such reduction of the projected gap for each fiscal year as required
by subdivision one of this section.

3. In the event the authority shall disapprove such budget modification based on disapproval of certain actions or
assumptions, the authority shall promptly thereafter notify the county executive of its reasons. The county executive
shall thereafter, after approval by the legislature, resubmit a budget modification, based on actions or assumptions
other than those that have been disapproved by the authority, for consideration by the authority and in sufficient time
for the authority to have a seven day review period prior to June thirtieth, two thousand.

§ 3667. County financial plans

1. The county executive shall prepare and submit to the authority a four-year financial plan, initially for the fiscal years ending December thirty-first, two thousand one through two thousand four, together with the proposed budget for the fiscal year ending on December thirty-first, two thousand one, not later than the date required for submission of such budget to the legislature pursuant to the county charter. Such financial plan shall, in addition to the requirements for financial plans set forth in subdivisions two and three of this section, contain actions sufficient to ensure with respect to the major operating funds for each fiscal year of the plan that annual aggregate operating expenses for such fiscal year shall not exceed annual aggregate operating revenues for such fiscal year. For purposes of determining operating revenues in the fiscal years ending December thirty-first, two thousand one through two thousand seven, such plan may assume (a) borrowings by the county or the authority to finance tax certiorari judgments or settlements in annual amounts not exceeding one hundred million dollars, or, in the aggregate for all such years, four hundred million dollars; however, of said four hundred million dollars, no more than fifteen million dollars may be counted as operating revenue in the fiscal year two thousand six and no more than ten million dollars may be counted as operating revenue in fiscal year two thousand seven, and (b) receipt by the county of NCIFA assistance and transitional state aid in the following collective amounts for each respective fiscal year:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 amount</td>
<td>2001</td>
</tr>
<tr>
<td>2002 amount</td>
<td>2002</td>
</tr>
<tr>
<td>2003 amount</td>
<td>2003</td>
</tr>
<tr>
<td>2004 amount</td>
<td>2004</td>
</tr>
</tbody>
</table>

The one hundred million dollars annual limit on assumed tax certiorari borrowings may be waived by the authority respecting any fiscal year, upon its determination that the results of any increased and accelerated settlement or litigation efforts by the county justify such waiver.

As used in this subdivision:

“2001 amount” means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the county has taken recurring actions to close between thirty-five per centum (35%) and forty per centum (40%) of the projected gap.

“2002 amount” means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the county has taken recurring actions to close between forty-five per centum (45%) and fifty per centum (50%) of the projected gap.

“2003 amount” means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the county has taken recurring actions to close between sixty per centum (60%) and sixty-five per centum (65%) of the projected gap.

“2004 amount” means that amount expected to be provided by the authority to ensure balanced major operating fund operations upon its determination that the county has taken recurring actions to close between eighty per centum (80%) and eighty-five per centum (85%) of the projected gap.

2. Pursuant to the procedures contained in this subdivision, each year during the interim finance period or during a
control period the county shall develop, and may from time to time modify, taking into account recommendations of the authority, a four year financial plan covering the county and the covered organizations. Each such financial plan and financial plan modification shall conform to the requirements of paragraph (a) of this subdivision and shall provide that the major operating funds of the county will be balanced in accordance with generally accepted accounting principles. The financial plan shall be developed and approved, and may from time to time be modified, in accordance with the following procedures:

(a) The county executive shall prepare and submit to the authority and the legislature a revised financial plan to the authority covering the four year period beginning with the ensuing fiscal year, together with the proposed budget for the ensuing fiscal year, not later than the date required for submission of such budget pursuant to the county charter. On such dates, the county executive shall also submit to the authority a certificate stating that such budget is consistent with the financial plan submitted therewith and that operation within the budget is feasible.

(b) Not more than twenty days after submission of a financial plan or more than fifteen days after submission of a financial plan modification, the authority shall determine whether the financial plan or financial plan modification is complete and complies with the provisions of section thirty-six hundred sixty-six and this section and the other requirements of this title, and shall submit its recommendations with respect to the financial plan or financial plan modification in accordance with the provisions of this subdivision.

(c) Upon the approval by the county of a budget in accordance with the provisions of the county charter and approval of the financial plan by the legislature, the county executive shall submit such approved budget and financial plan to the authority accompanied by expenditure, revenue and cash flow projections on a quarterly basis and certify to the authority that such budget is consistent with the financial plan to be submitted to the authority.

(d) If the authority determines that the financial plan or financial plan modification provided pursuant to paragraphs (c) or (f) of this subdivision is complete and complies with the standards set forth in this subdivision, the authority shall make a certification to the county setting forth revenue estimates agreed to by the authority in accordance with such determination.

(e) The authority shall, in the event it disagrees with elements of the financial plan provided pursuant to paragraphs (c) or (f) of this subdivision, provide notice thereof to the county executive, the legislature and the comptroller, with copies to the director of the budget, the state comptroller, the chair of the assembly ways and means committee and the chair of the senate finance committee, if, in the judgment of the authority, such plan:

(i) is incomplete;

(ii) fails to contain projections of revenues and expenditures that are based on reasonable and appropriate assumptions and methods of estimation;

(iii) fails to provide that operations of the county and the covered organizations will be conducted within the cash resources available according to the authority's revenue estimates; or

(iv) fails to comply with the provisions of this title or other requirements of law.

(f) After the initial adoption of an approved financial plan, the revenue estimates certified by the authority and the financial plan shall be regularly reexamined by the authority in consultation with the county and the covered organizations and the county executive shall provide a modified financial plan in such detail and within such time periods as the authority may require. In the event of reductions in such revenue estimates, or in the event the county or a covered
organization shall expend funds at a rate that would exceed the aggregate expenditure limitation for the county or covered organization prior to the expiration of the fiscal year, the county executive shall submit a financial plan modification to effect such adjustments in revenue estimates and reductions in total expenditures as may be necessary to conform to such revised revenue estimates or aggregate expenditure limitations.

(g) If, within a time period specified by the authority, the county fails to make such modifications after reductions in revenue estimates, or to provide a modified plan in detail and within such time period required by the authority, the authority shall adopt a resolution so finding.

(h) The county shall amend its budget or shall submit a financial plan modification for the approval of the authority such that the county's budget and the approved financial plan shall be consistent. In no event shall the county operate under a budget that is inconsistent with an approved financial plan.

3. The financial plan shall be in such form and shall contain such information for each year during which the financial plan is in effect as the authority may specify, and shall include the county and all the covered organizations, and shall, in such detail as the authority from time to time may prescribe, include (a) statements of all estimated revenues and of all expenditures and cash flow projections of the county and each of the covered organizations, (b) a report on the status of efforts to reform and streamline the tax certiorari claims process and eliminate the need in each year of the plan for the county to borrow to finance such claims or judgments, including an accounting of the expenditure of any transitional state aid for such purposes, and (c) an accounting of the expenditure of any remaining transitional state aid available to the county for each year of the plan.

4. The financial plan shall include any information which the authority may request to satisfy itself that (a) projected employment levels, collective bargaining agreements and other actions relating to employee costs, capital construction and such other matters as the authority may specify are consistent with the provisions made for such obligations in the financial plan, (b) the county and the covered organizations are taking whatever action is necessary with respect to programs mandated by state and federal law to ensure that expenditures for such programs are limited to and covered by the expenditures stated in the financial plan, (c) adequate reserves are provided to maintain essential programs in the event revenues have been overestimated or expenditures underestimated for any period, and (d) the county has adequate cash resources to meet its obligations. In addition, except to the extent such reporting requirements may be modified pursuant to agreement between the authority and the county, for each fiscal year occurring during the interim finance period or while bonds issued pursuant to this title are outstanding, the county executive shall prepare a quarterly report of summarized budget data depicting overall trends of actual revenues and budget expenditures for the entire budget rather than individual line items and updated quarterly cash flow projections of receipts and disbursements. Such reports shall compare revenue estimates and appropriations as set forth in such budget and in the quarterly revenue and expenditure projections submitted therewith with the actual revenues and expenditures made to date. Such reports shall also compare actual receipts and disbursements with the estimates contained in the cash flow projections, together with variances and their explanation. All quarterly reports shall be accompanied by recommendations from the county executive to the legislature setting forth any remedial action necessary to resolve any unfavorable budget variance including the overestimation of revenues and the underestimation of appropriations. These reports shall be completed within thirty days after the end of each quarter and shall be submitted to the legislature, the authority, the director of the budget and the state comptroller. Except during a control period, for each fiscal year occurring during the interim finance period or while bonds issued pursuant to this title are outstanding, the county executive shall submit a proposed budget or revision thereto to the authority concurrent with submission to the legislature, and shall submit the adopted budget to the authority immediately upon its adoption.

5. For each financial plan and financial plan modification to be prepared and submitted by the county executive to the authority pursuant to the provisions of this section, the covered organizations shall submit to the county such information with respect to their projected expenditures, revenues and cash flows for each of the years covered by such
financial plan or modification as the county executive shall determine. Notwithstanding any other provision of law
limiting the authority of the county with respect to any covered organization, the county, in the preparation and
submission of the financial plan and modifications thereof, shall (except for debt service or for other expenditures to
the extent that such expenditures are required by law) have the power to determine the aggregate expenditures to be
allocated to any covered organization in the financial plan and any modifications thereto.

6. The authority and the county shall confer concerning the projected effect on the budgets of the county and the
covered organizations of any change in generally accepted accounting principles, or change in the application of
generally accepted accounting principles to the county and the covered organizations, made or to be implemented after
the effective date of this title. If the authority determines that immediate compliance with such change will have a
material effect on such budgets over a time period insufficient to accommodate the effect without a substantial adverse
impact on the delivery of essential services by the county, the authority may authorize and approve a method of
phasing the requirements of such change into such budgets over such reasonably expeditious time period as the au-
thority deems appropriate.

→ § 3668. Monitoring and review

Except as otherwise provided in section thirty-six hundred sixty-nine of this title, the authority shall:

1. conduct meetings at least annually;

2. obtain from the county all information required pursuant to this section, and such other financial statements and
projections, budgetary data and information, and management reports and materials as the authority deems necessary
or desirable to accomplish the purposes of this title;

3. recommend to the county and the covered organizations such measures relating to their operation, management,
efficiency and productivity as the authority deems appropriate to reduce costs and improve services so as to advance
the purposes of this title;

4. consult with the county in the preparation of the budget of the county;

5. with respect to any county borrowing proposed to be issued after July first, two thousand, review the terms of and
comment, within thirty days after notification by the county of a proposed borrowing, on the prudence of each pro-
posed issuance of bonds or notes to be issued by the county and no such borrowing shall be made unless first reviewed
and commented upon by the authority. The authority shall provide such comments within thirty days after notification
by the county of a proposed borrowing to the county executive, the comptroller, the legislature, the director of the
budget and the state comptroller;

6. determine whether to make transitional state aid available, and on what schedule, based upon the county's com-
pliance with the requirements of sections thirty-six hundred sixty-six and thirty-six hundred sixty-seven of this title, as
applicable, and the requirements, if any, of the appropriations bills authorizing such transitional state aid; and

7. perform such audits and reviews of the county and any agency thereof and any covered organizations as it deems
necessary.
§ 3669. Control period

1. The authority shall impose a control period upon its determination at any time that any of the following events has occurred or that there is a substantial likelihood and imminence of such occurrence: (a) the county shall have failed to pay the principal of or interest on any of its bonds or notes when due or payable, (b) the county shall have incurred a major operating funds deficit of one percent or more in the aggregate results of operations of such funds during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles, subject to the provisions of this title, (c) the county shall have otherwise violated any provision of this title and such violation substantially impairs the marketability of the county's bonds or notes, (d) the chief fiscal officer's certification at any time, at the request of the authority or on the chief fiscal officer's initiative, which certification shall be made from time to time as promptly as circumstances warrant and reported to the authority, that on the basis of facts existing at such time such officer could not make the certification described by paragraph (b) of this subdivision in the definition of interim finance period in section thirty-six hundred fifty-one of this title, or (e) the authority makes the finding required under paragraph (g) of subdivision two of section thirty-six hundred sixty-seven of this title. The authority shall terminate any such control period when it determines that none of the conditions which would permit the authority to impose a control period exist. After termination of a control period the authority shall annually consider paragraphs (a) through (e) of this subdivision and determine whether, in its judgment, any of the events described in such paragraphs have occurred and the authority shall publish each such determination. Any certification made by the chief fiscal officer hereunder shall be based on such officers' written determination which shall take into account a report and opinion of an independent expert in the marketing of municipal securities selected by the authority, and the opinion of such expert and any other information taken into account shall be made public when delivered to the authority. Notwithstanding any part of the foregoing to the contrary, in no event shall any control period continue beyond the later of (i) January first, two thousand thirty, or (ii) the date when all bonds of the authority are refunded, discharged or otherwise defeased.

2. In carrying out the purposes of this title during any control period:

(a) The authority shall (i) consult with the county and the covered organizations in the preparation of the financial plan, and certify to the county the revenue estimates approved therein, (ii) prescribe the form of the financial plan and the supporting information required in connection therewith, (iii) exercise the rights of approval, disapproval and modification with respect to the financial plan, including but not limited to the revenue estimates contained therein, and (iv) in the event the authority has made the finding required under section thirty-six hundred sixty-seven of this title, formulate and adopt its modifications to the financial plan, such modifications to become effective on their adoption by the authority.

(b) The authority shall, from time to time and to the extent it deems necessary or desirable in order to accomplish the purposes of this title, (i) review the operations, management, efficiency and productivity of such county operations and of such covered organizations or portions thereof as the authority may determine, and make reports thereon; (ii) audit compliance with the financial plan in such areas as the authority may determine; (iii) recommend to the county and the covered organizations such measures relating to their operations, management, efficiency and productivity as it deems appropriate to reduce costs and improve services so as to advance the purposes of this title; and (iv) obtain information on the financial condition and needs of the county and the covered organizations. Nothing herein shall diminish the powers of the state comptroller otherwise provided by law and the authority may request the assistance of the state comptroller in the performance of the above functions.

(c) The authority shall (i) receive from the county and the covered organizations and from the state comptroller, and review, such financial statements and projections, budgetary data and information, and management reports and materials as the authority deems necessary or desirable to accomplish the purposes of this title, and (ii) inspect, copy and audit such books and records of the county and the covered organizations as the authority deems necessary or
desirable to accomplish the purposes of this title.

(d) All contracts entered into by the county or any covered organization during any control period must be consistent with the provisions of this title and must comply with the requirements of the financial plan as approved by the authority. With respect to all contracts or other obligations to be entered into by the county or any covered organization during any control period requiring the payment of funds or the incurring of costs by the county or any covered organizations:

(i) Within twenty days from the commencement of a control period, the county executive shall present to the authority proposed guidelines respecting the categories and types of contracts and other obligations required to be reviewed by the authority pursuant to this subdivision. Any such guidelines may provide a different standard for review with respect to contracts of any covered organization as the authority shall determine. Within thirty days from the commencement of a control period, the authority shall approve or modify and approve such proposed guidelines or promulgate its own in the event that such proposed guidelines are not submitted to it within the twenty days as provided for herein. Such guidelines may thereafter be modified by the authority from time to time on not less than thirty days’ notice to the county executive and the county executive may from time to time propose modifications to the authority. Unless expressly disapproved or modified by the authority within thirty days (or such additional time, not exceeding thirty days, as the authority shall have notified the county or covered organization that it requires to complete its review and analysis) from the date of submission by the county executive, any such proposed guidelines or modifications shall be deemed approved by the authority;

(ii) Prior to entering into any contract or other obligation subject to review of the authority under its guidelines, the county or any covered organization shall submit a copy of such contract or other obligation to the authority accompanied by an analysis of the projected costs of such contract or other obligation and certification that performance thereof will be in accordance with the financial plan, all in such form and with such additional information as the authority may prescribe. The authority shall promptly review the terms of such contract or other obligation and the supporting information in order to determine compliance with the financial plan;

(iii) The authority shall, by order, disapprove any contract or other obligation reviewed by it only after adoption of a resolution determining that, in its judgment, the performance of such contract or other obligation would be inconsistent with the financial plan, and upon such order the county or covered organization shall not enter into such contract or other obligation; and

(iv) If the authority approves the terms of a reviewed contract or other obligation, the county or covered organization may enter into such contract or other obligation upon the terms submitted to the authority. Failure of the authority to notify the county or covered organization within thirty days (or such additional time, not exceeding thirty days, as the authority shall have notified the county or covered organization that it requires to complete its review and analysis) after submission to it of a contract or other obligation that such contract or other obligation has been disapproved shall be deemed to constitute authority approval thereof.

(e) The authority shall review the terms of each proposed long-term and short-term borrowing by the county and any covered organization to be effected during any control period, and no such borrowing shall be made during any control period unless it is approved by the authority. Neither the county nor any covered organization shall be prohibited from issuing bonds or notes to pay outstanding bonds or notes.

(f) The authority shall issue, to the appropriate official of the county and each covered organization, such orders as it deems necessary to accomplish the purposes of this title, including, but not limited to, timely and satisfactory implementation of an approved financial plan. Any order so issued shall be binding upon the official to whom it was
issued and failure to comply with such order shall subject the official to the penalties described in subdivision four of this section.

(g) The authority is authorized to and shall withhold any transitional state aid and not pay such moneys to the county during any control period.

3. Authorization for wage freeze. (a) During a control period, upon a finding by the authority that a wage freeze is essential to the adoption or maintenance of a county budget or a financial plan that is in compliance with this title, the authority, after enactment of a resolution so finding, may declare a fiscal crisis. Upon making such a declaration, the authority shall be empowered to order that all increases in salary or wages of employees of the county and employees of covered organizations which will take effect after the date of the order pursuant to collective bargaining agreements, other analogous contracts or interest arbitration awards, now in existence or hereafter entered into, requiring such salary increases as of any date thereafter are suspended. Such order may also provide that all increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan and step-ups or increments for employees of the county and employees of covered organizations which will take effect after the date of the order pursuant to collective bargaining agreements, other analogous contracts or interest arbitration awards requiring such increased payments as of any date thereafter, are, in the same manner, suspended. For the purposes of computing the pension base of retirement allowances, any suspended salary or wage increases and any suspended other payments shall not be considered as part of compensation or final compensation or of annual salary earned or earnable. The suspensions authorized hereunder shall continue until one year after the date of the order and, to the extent of any determination of the authority that a continuation of such suspensions, to a date specified by the authority, is necessary in order to achieve the objectives of the financial plan, such suspensions shall be continued to the date specified by the authority, which date shall in no event be later than the end of the interim finance period, provided that such suspensions shall terminate with respect to employees who have agreed to a deferral of salary or wage increase upon the certification of the agreement by the authority pursuant to paragraph (b) of this subdivision.

(b) This subdivision shall not be applicable to employees of the county or employees of a covered organization covered by a collective bargaining agreement or an employee of the county or a covered organization not covered by a collective bargaining agreement where the collective bargaining representative or such unrepresented employee has agreed to a deferral of salary or wage increase, by an instrument in writing which has been certified by the authority as being an acceptable and appropriate contribution toward alleviating the fiscal crisis of the county. Any such agreement to a deferral of salary or wage increase may provide that for the purposes of computing the pension base of retirement allowances, any deferred salary or wage increase may be considered as part of compensation or final compensation or of annual salary earned or earnable.

(c) The authority may, if it finds that the fiscal crisis has been sufficiently alleviated or for any other appropriate reason, direct that the suspensions of salary or wage increases or suspensions of other increased payments or benefits shall, in whole or in part, be terminated.

4. Prohibition; penalties. (a) During any control period (i) no officer or employee of the county or of any of the covered organizations shall make or authorize an obligation or other liability in excess of the amount available therefor under the financial plan as then in effect; (ii) no officer or employee of the county or of any of the covered organizations shall involve the county or any of the covered organizations in any contract or other obligation or liability for the payment of money for any purpose required to be approved by the authority unless such contract has been so approved and unless such contract or obligation or liability is in compliance with the financial plan as then in effect.

(b) No officer or employee of the county or any of the covered organizations shall take any action in violation of any valid order of the authority or shall fail or refuse to take any action required by any such order or shall prepare, present
or certify any information (including any projections or estimates) or report to the authority or any of its agents that is false or misleading, or, upon learning that any such information is false or misleading, shall fail promptly to advise the authority or its agents thereof.

(c) In addition to any penalty or liability under any other law, any officer or employees of the county or any of the covered organizations who shall violate paragraph (a) or (b) of this subdivision shall be subject to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office by order of either the governor or the county executive; and any officer or employees of the county or any of the covered organizations who shall knowingly and willfully violate paragraph (a) or (b) of this subdivision shall, upon conviction, be guilty of a misdemeanor.

(d) In the case of a violation of paragraph (a) or (b) of this subdivision by an officer or employee of the county or any of the covered organizations, the county executive or the chief executive officer of such covered organization shall immediately report to the authority all pertinent facts together with a statement of the action taken thereon.

§ 3670. Miscellaneous provisions

1. Notwithstanding anything to the contrary in title six-A of article two of the local finance law, neither the county nor any covered organization shall file any petition authorized by such title six-A without the approval of the authority and the state comptroller. No such petition shall be filed as long as any bonds issued by the authority remain outstanding. Failure of the authority or the state comptroller to notify the county or a covered organization within thirty days (or such additional time, not exceeding thirty days, as the authority or state comptroller shall have notified the county or covered organization that it requires to complete its review) after submission to it of a petition shall be deemed to constitute authority or state comptroller approval thereof.

2. Nothing contained in this title shall limit the right of the county or any covered organization to comply with the provisions of any existing contract within or for the benefit of the holders of any bonds or notes of the county or such covered organization.

3. Nothing contained in this title shall be construed to limit the power of the county or a covered organization during any interim finance period to determine, from time to time, within available funds for the county or for such covered organization, the purposes for which expenditures are to be made by the county or such covered organization and the amounts of such expenditures, consistent with the aggregate expenditures then permitted under the financial plan for the county or such covered organization.

4. The authority's fiscal year shall be January first through December thirty-first.

5. Nothing contained in this title shall alter or modify the right of any town, city or village within the county regarding funding assistance due from the county as authorized pursuant to section twelve hundred sixty-two-e of the tax law.

6. The authority shall adopt guidelines for procurement contracts in accordance with section twenty-eight hundred seventy-nine of this chapter.
§ 3671. Effect of inconsistent provisions

Insofar as the provisions of this title are inconsistent with the provisions of any other act, general or special, or of any charter, local law, ordinance or resolution of any municipality, the provisions of this title shall be controlling. Nothing contained in this section shall be held to supplement or otherwise expand the powers or duties of the authority otherwise set forth in this title.

§ 3672. Separability; construction

If any clause, sentence, paragraph, section, or part of this title shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section, or part thereof involved in the controversy in which such judgment shall have been rendered. The provisions of this title shall be liberally construed to assist the effectuation of the public purposes furthered hereby.
Tab 10
NASSAU COUNTY INTERIM FINANCE AUTHORITY
BY-LAWS
Adopted June 28, 2000
Amended April 20, 2011

ARTICLE I
THE AUTHORITY

SECTION 1. The Authority. The Nassau County Interim Finance Authority ("the Authority") is a corporate governmental agency constituting a public benefit corporation.

SECTION 2. Acts of the Authority. All acts, agreements and documents of the Corporation shall be performed or executed in the name of the Authority by a Director or other duly authorized officer of the Authority.

SECTION 3. Certification of Instruments. Each Director or other duly authorized officer of the Authority shall have the authority, when necessary or appropriate, to certify the records, proceedings, rules and regulations and other instruments of the Authority and to affix and attest to the official seal of the Authority on contracts and other instruments of the Authority.

SECTION 4. Administration. The powers, organization and administration of the Authority shall be in accordance with the provisions of the Nassau County Interim Finance Authority Act, other applicable laws and these By-Laws.

SECTION 5. Fiscal year. The fiscal year of the Authority shall begin January 1 and end the following December 31.

SECTION 6. Seal of the Authority. The official seal of the Authority shall be in such form as may be determined, from time to time, by the resolution of the Directors of the Authority. No document properly executed by a Director or other duly authorized officer or employee of the Authority on behalf of the Authority shall be required to be sealed to be binding and effective. The seal on any corporate obligation for the payment of money may be a facsimile.

SECTION 7. Offices. The principal office and place of business of the Authority shall temporarily be located in the city of Albany, State of New York. The Authority
may also have other offices at such other places within the State of New York as may be deemed necessary by the Directors of the Authority.

ARTICLE II
DIRECTORS

SECTION 1. Directors. The business and affairs of the Authority shall be managed by the Directors of the Authority who shall be selected and shall hold office as provided in the Nassau County Interim Finance Authority Act.

SECTION 2. Compensation of Directors. The Directors of the Authority shall serve without salary, but each Director shall be reimbursed for actual necessary expenses incurred in the performance of such Director’s official duties as a Director of the Authority.

SECTION 3. Chairperson and Vice-Chairperson. The Governor shall designate a Chairperson and a Vice-Chairperson from among the Directors. The Chairperson shall preside over all meetings of the Directors and shall have such other duties as the Directors of the Corporation may direct. The Vice-Chairperson shall preside over all meetings of the Directors in the absence of the Chairperson and shall have such other duties as the Directors of the Authority may prescribe; except that if in such event that the office of the Vice-Chairperson is vacant or the Vice-Chairperson is absent or disabled, the Authority shall choose, from among those Directors present, a presiding officer to preside at such meeting.

SECTION 4. Appointment and Delegation. The Directors of the Authority shall appoint a Treasurer and may appoint such officers, employees and other agents of the Authority as are deemed necessary to effectuate the purposes of the Authority and may delegate to such officers, employees and agents such powers and duties as the Directors may deem proper and in accordance with the above goal.

ARTICLE III
MEETINGS OF THE AUTHORITY

SECTION 1. Annual Meeting. The Annual Meeting of the Authority shall be held on such date as shall be agreed upon by the Directors and shall be designated in the notice of such meeting.
SECTION 2. Regular Meetings. The Directors of the Authority may establish a schedule of regular meetings to be held, within the State of New York, between the annual meetings.

SECTION 3. Special Meetings. Special Meetings may be called by the Chairperson, whenever she/he deems it expedient, and shall be called by the Chairperson upon the request of the majority of the Directors of the Authority.

SECTION 4. Notice. Three days notice shall be given to each Director prior to any meeting of the Authority.

SECTION 5. Waiver of Notice. Notice of any meeting of the Authority need not be given to any Director if waived in writing by him/her either before or after such meeting, or if he/she shall be present at such meeting. No notice need be given of any meeting if all the Directors then in office shall be present thereat. Notice of an adjourned meeting need not be given to any Director present at the time of the adjournment. Neither the business to be transacted at, nor the purpose of, any meeting of the Authority need be specified in any notice of written waiver of notice unless so required by these By-Laws.

SECTION 6. Quorum and Exercise of Powers. In accordance with Section 3653, subdivision 5 of the NIFA Act, four Directors shall constitute a quorum for the transaction of any business and no action shall be taken by the Authority except pursuant to a favorable vote of at least four Directors participating in a meeting which such action is taken.

SECTION 7. Meetings by Video Conference. In accordance with Section 104, subdivision 4 of the Public Officers Law, if videoconferencing is used to conduct a meeting, the public notice for the meeting shall inform the public that videoconferencing will be used, identify the locations for the meeting, and state that the public has the right to attend the meeting at any of the locations.

SECTION 8. Procedure. The order of business and all other matters of procedure at each meeting of the Authority may be determined by the presiding officer.
ARTICLE IV
COMMITTEES

SECTION 1. Committees. The Authority may create one or more committees of the Authority, which committees shall exercise the powers and perform such duties as the Authority may determine.

ARTICLE V
INDEMNIFICATION

SECTION 1. Indemnification of Officers, Directors and Employees. The Authority shall indemnify and hold harmless all Directors, officers and employees of the Authority in the same manner as State employees are indemnified in their official actions and to the full extent permitted by law, as the same may exist at the time such person may become entitled to indemnification by the Authority.

ARTICLE VI
AMENDMENTS

SECTION 1. Amendments. These By-Laws may be amended by resolution duly adopted at any meeting, provided that notice of intention to present such resolution shall have been given in advance of the meeting at which the motion to adopt such resolution is made. Such notice shall have appended thereto the complete, written text of the By-Laws being proposed. Approval of amended By-Laws requires affirmative vote of at least four of the Directors.

ARTICLE VII
SUSPENSION OF BY-LAWS

SECTION 1. Suspension of By-Laws. By affirmative vote of at least four Directors, the provisions of any or all of these By-Laws, except as may be otherwise provided by law, may be temporarily suspended.