

SUPPLEMENT TO
OFFICIAL STATEMENT DATED AUGUST 6, 2009
relating to
COUNTY OF NASSAU, NEW YORK
\$50,875,000 GENERAL OBLIGATION BONDS, 2009 REFUNDING SERIES E

PLEASE BE ADVISED that the above-referenced Official Statement has been supplemented to add the following information:

Page 11: The section encaptioned “BOND INSURANCE” is hereby deleted in its entirety and replaced with the following:

THE INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Corp. (“Assured Guaranty” or the “Insurer”) will issue its financial guaranty insurance policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

THE INSURER

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty’s financial strength is rated “AAA” (negative outlook) by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), “Aa2” (on review for possible downgrade) by Moody’s Investors Service, Inc. (“Moody’s”) and “AA” (ratings watch negative) by Fitch, Inc. (“Fitch”). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any

downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

On July 1, 2009, S&P published a Research Update in which it affirmed its “AAA” counterparty credit and financial strength ratings on Assured Guaranty. At the same time, S&P revised its outlook on Assured Guaranty to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

On May 20, 2009, Moody’s issued a press release stating that it had placed the “Aa2” insurance financial strength rating of Assured Guaranty on review for possible downgrade. Subsequently, in an announcement dated July 24, 2009 entitled “Moody’s Comments on Assured’s Announcement to Guarantee and Delist FSA Debt”, Moody’s announced that it expects to conclude its review by mid-August 2009. Reference is made to the press release and the announcement, copies of which are available at www.moody.com, for the complete text of Moody’s comments.

In a press release dated August 10, 2009, Fitch revised its outlook on Assured Guaranty to negative from evolving. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch’s comments.

There can be no assurance as to the outcome of Moody’s review, or as to the further action that Fitch or S&P may take with respect to Assured Guaranty.

For more information regarding Assured Guaranty’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission (“SEC”) on February 26, 2009, AGL’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by AGL with the SEC on May 11, 2009, and AGL’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009.

Acquisition of FSA

On July 1, 2009, AGL acquired the financial guaranty operations of Financial Security Assurance Holdings Ltd. (“FSA”), the parent of financial guaranty insurance company Financial Security Assurance Inc. For more information regarding the acquisition by AGL of FSA, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the SEC on July 8, 2009.

Capitalization of Assured Guaranty Corp.

As of March 31, 2009, Assured Guaranty had total admitted assets of \$1,926,329,505 (unaudited), total liabilities of \$1,570,615,119 (unaudited), total surplus of \$355,714,386

(unaudited) and total statutory capital (surplus plus contingency reserves) of \$1,109,717,908 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by AGL with the SEC on May 11, 2009);
- the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009); and
- the Current Reports on Form 8-K filed by AGL with the SEC relating to the periods following the fiscal year ended December 31, 2008.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading “BOND INSURANCE-The Insurer” shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC’s web site at <http://www.sec.gov> and at AGL’s web site at <http://www.assuredguaranty.com>, from the SEC’s Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom,

other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE".

The date of this Supplement is August 11, 2009.

OFFICIAL STATEMENT

NEW ISSUE — FULL BOOK ENTRY

<u>RATINGS:</u>	<u>Uninsured</u>	<u>Insured</u>
Moody's:	A2	Aa2
S&P:	A+	AAA
Fitch:	A+	AA

(See "RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes although Bond Counsel observes that interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

COUNTY OF NASSAU, NEW YORK

\$50,875,000 GENERAL OBLIGATION BONDS, 2009 REFUNDING SERIES E

Dated: Date of Delivery

Due: June 1, 2010 - 2018

The Bonds are general obligations of the County of Nassau, New York (the "County"), for the payment of which the County has pledged its faith and credit. All of the taxable real property within the County is subject to the levy of ad valorem taxes without limitation as to rate or amount to pay both the principal of and interest on the Bonds.

Interest on the Bonds is payable on June 1 and December 1 of each year commencing December 1, 2009 and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds are payable from amounts provided by the County. See "THE BONDS" herein.

The Bonds will be issued in registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases will be made in book-entry-only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive physical certificates representing their ownership interest in the Bonds. Principal and interest will be paid by the County to DTC which will in turn remit same to its Participants as described herein, for subsequent distribution to the beneficial owner of the Bonds. The Bonds are not subject to optional redemption prior to maturity. The maturity schedule for the Bonds is set forth on the inside cover herein.

The scheduled payment of principal of and interest on the Bonds maturing on June 1 of the years 2014 through 2018, inclusive (the "Insured Bonds"), when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp.

The Bonds are offered when, as and if issued and received by the Underwriters and subject to the approval of the legality thereof by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the County by the Law Offices of Joseph C. Reid, P.A., New York, New York, Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Hiscock & Barclay, LLP, Albany, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about August 19, 2009.

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE COUNTY FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12.

STERNE, AGEE & LEACH, INC.

RICE FINANCIAL PRODUCTS COMPANY

August 6, 2009

AMOUNTS, MATURITIES AND INTEREST RATES

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YIELD</u>	<u>CUSIP*</u>
6/1/2010	\$4,630,000	3.00%	NRO	63165N 6X1
6/1/2011	\$19,405,000	4.00	1.30%	63165N 6Y9
6/1/2012	\$7,070,000	4.00	1.61	63165N 6Z6
6/1/2013	\$7,165,000	4.00	1.99	63165N 7A0
6/1/2014	\$5,695,000	4.00	2.26	63165N 7B8
6/1/2015	\$4,850,000	4.00	2.54	63165N 7C6
6/1/2016	\$690,000	3.25	2.82	63165N 7D4
6/1/2017	\$695,000	5.00	3.09	63165N 7E2
6/1/2018	\$675,000	4.00	3.34	63165N 7F9
Total	\$50,875,000			

* CUSIP numbers have been assigned by an organization not affiliated with the County and are included solely for the convenience of the holders of the Bonds. The County is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness.

**COUNTY OF NASSAU, NEW YORK
COUNTY EXECUTIVE**

Thomas R. Suozzi

COUNTY LEGISLATURE

Presiding Officer

Diane Yatauro

Kevan M. Abrahams
Francis X. Becker, Jr.
Judi Bosworth
John J. Ciotti
Roger H. Corbin
David W. Denenberg
Dennis Dunne, Sr.
Denise Ford
Norma L. Gonsalves

Judith A. Jacobs
Edward P. Mangano
David Mejias
Vincent T. Muscarella
Richard J. Nicoletto
Joseph K. Scannell
Peter J. Schmitt
Jeffrey W. Toback
Wayne H. Wink, Jr.

COUNTY COMPTROLLER

Howard S. Weitzman

DEPUTY COUNTY EXECUTIVE FOR MANAGEMENT, BUDGET AND FINANCE

Thomas W. Stokes

COUNTY TREASURER

Steven D. Conkling

COUNTY BUDGET DIRECTOR

John O'Neill

COUNTY ATTORNEY

Lorna B. Goodman, Esq.

FINANCIAL ADVISOR

Public Financial Management, Inc.

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP

DISCLOSURE COUNSEL

Law Offices of Joseph C. Reid, P.A.

No dealer, broker, salesman or other person has been authorized by the County or the Underwriters to give any information or to make any representations other than those contained in this Official Statement; and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the County and the Underwriters from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “Bond Insurance” and “Appendix H - Specimen Financial Guaranty Insurance Policy”.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Public Financial Management, Inc. as Financial Advisor has not been engaged to and has not made any independent investigation of the accuracy or completeness of any financial information respecting the County which is included in this Official Statement or which was otherwise examined by the Financial Advisor. All such information was supplied by the County and its other professionals and has not been verified by the Financial Advisor. The Financial Advisor’s exclusive engagement has been to advise the County on the likely financial consequences under present market circumstances of various financial actions based exclusively upon assumptions and data furnished by the County and its other professionals, and the Financial Advisor has assumed no responsibility with respect to the reasonableness or accuracy of any such assumptions or information. The Financial Advisor disclaims any implication that the Financial Advisor can be deemed to represent that the narrative and financial information in this Official Statement is complete or accurate.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE ORDINANCES OR OTHER PROCEEDINGS OF THE COUNTY BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. ADDITIONALLY, WHILE THE BONDS MAY BE EXEMPT FROM THE REGISTRATION AND QUALIFICATION PROVISIONS OF THE SECURITIES LAWS OF THE VARIOUS STATES, SUCH EXEMPTION CANNOT BE REGARDED AS A RECOMMENDATION OF THE BONDS. NEITHER THE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT
of the
COUNTY OF NASSAU, NEW YORK

Relating to

\$50,875,000 GENERAL OBLIGATION BONDS, 2009 REFUNDING SERIES E

Dated: Date of Delivery

Due: June 1, 2010 - 2018

INTRODUCTION

This Official Statement, which includes the cover page and appendices, has been prepared by the County of Nassau (the “County”), in the State of New York (the “State”), and provides certain information in connection with the sale by the County of \$50,875,000 principal amount of General Obligation Bonds, 2009 Refunding Series E, dated the date of delivery and maturing June 1, 2010 -2018 (the “Bonds”). The Bonds are not subject to optional redemption prior to maturity.

The Bonds are issued pursuant to the Constitution and statutes of the State, including among others, the Local Finance Law and the County Charter (the “County Charter”). The Bonds are being issued to refund certain of the County’s outstanding bonds and to pay costs of issuance. See “PLAN OF REFINANCING” herein. The Bonds will be general obligations of the County for the payment of which the County has pledged its faith and credit.

THE BONDS

The Bonds have been authorized and are to be issued pursuant to the Constitution and laws of the State including the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a refunding bond ordinance, as amended, adopted by the County Legislature and approved by the County Executive pursuant to the Local Finance Law, the County Charter and the County Administrative Code and other related proceedings and determinations. In addition, as required by law, the Nassau County Interim Finance Authority (“NIFA”), created pursuant to the Nassau County Interim Finance Authority Act, codified as Title I of Article 10-D of the State Public Authorities Law (the “NIFA Act”), reviewed the terms of, and had no objection to, the issuance of the Bonds. See “APPENDIX A – INFORMATION ABOUT THE COUNTY” herein.

The Bonds will be general obligations of the County, and will be issued, bear interest, mature and be payable as described on the cover page and inside cover page of this Official Statement and herein. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds are being issued to refund certain of the County’s outstanding bonds as described under “PLAN OF REFINANCING” herein and to pay costs of issuance.

The Bonds have been duly authorized and, when executed and delivered, will constitute legal, valid and binding obligations of the County. The County has pledged its faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, the County is authorized to levy on all taxable real property such ad valorem taxes as may be necessary to pay the

Bonds and the interest thereon without limitation as to rate or amount. The Bonds do not constitute debt of NIFA.

PLAN OF REFINANCING

The Bonds are being issued to refund all or a portion of selected maturities of certain outstanding bonds of the County set forth below:

Refunded Bonds

Series	Maturity Date	Principal Amount	Coupon
General Improvement Bonds, Series 1997W	9/1/2010	5,775,000	4.75%
	9/1/2011	2,420,000	4.75%
General Improvement Bonds, Series 1998Y	3/1/2011	3,715,000	5.00%
General Improvement Bonds, Series 1999A	6/1/2011	1,980,000	4.50%
	6/1/2012	2,030,000	4.50%
	6/1/2013	2,080,000	4.50%
	6/1/2014	565,000	4.50%
	6/1/2015	580,000	4.50%
	6/1/2016	595,000	4.50%
	6/1/2017	600,000	4.50%
6/1/2018	610,000	4.50%	
General Improvement Bonds, Series 1999B	6/1/2011	4,670,000	5.25%
General Improvement Bonds, Series 1999C	1/1/2012	4,630,000	5.125%
	1/1/2013	4,735,000	5.125%
	1/1/2014	4,835,000	5.125%
	1/1/2015	4,140,000	5.20%
General Improvement Bonds, Series 1999D	9/1/2011	1,135,000	5.25%
General Improvement Bonds, Series 2000E	3/1/2011	4,735,000	5.50%
Combined Sewer Districts Bonds, Series 1997Y	9/1/2010	70,000	5.00%
Combined Sewer Districts Bonds, Series 1998A	3/1/2011	245,000	5.00%
Combined Sewer Districts Bonds, Series 1998B	9/1/2010	80,000	5.00%
Combined Sewer Districts Bonds, Series 1999C	6/1/2011	90,000	4.75%
	6/1/2012	90,000	4.75%
	6/1/2013	90,000	4.75%
	6/1/2014	95,000	4.75%
	6/1/2015	95,000	4.80%
	6/1/2016	95,000	4.80%
	6/1/2017	95,000	4.85%
6/1/2018	65,000	4.88%	
Combined Sewer Districts Bonds, Series 1999D	1/1/2012	115,000	5.50%
	1/1/2013	115,000	5.50%
	1/1/2014	115,000	5.50%

Upon delivery of the Bonds, proceeds will be deposited in an escrow fund with Manufacturers and Traders Trust Company (the "Escrow Agent"), under an Escrow Agreement (the "Escrow Agreement") to be dated as of August 19, 2009, between the Escrow Agent and the County. The Escrow Agent will deposit in an irrevocable trust fund called the Escrow Fund \$53,288,090.67 which will be used to purchase direct obligations or obligations guaranteed by the United States of America, including State and Local Government Series Securities (the "Government Obligations"), the principal of and interest on which, when due, along with the uninvested cash amounts, will provide amounts sufficient to meet principal, interest payments and redemption prices on the Refunded Bonds on the dates such payments are due. All investment income on and maturing principal of the Government Obligations held in the Escrow

Fund and needed to pay the principal and premium of, and interest on the Refunded Bonds will be irrevocably deposited by the County, or its agent, for payment of the Refunded Bonds.

Under the Refunding Financial Plan (as defined in the applicable ordinance of the County authorizing the issuance of the Bonds), the Refunded Bonds will continue to be general obligations of the County and will continue to be payable from County funds legally available therefore. However, since the maturing Government Obligations together with interest earnings thereon and cash held in the Escrow Fund will be sufficient to meet all required payments of principal of, and interest on, and redemption premiums payable with respect to, the Refunded Bonds, it is not anticipated that other sources of payment will be utilized. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS”.

SOURCES AND USES OF PROCEEDS OF THE BONDS

The County expects to apply the proceeds from the sale of the Bonds as follows:

Sources

Par Amount of the Bonds.....	\$50,875,000.00
Net Original Issuance Premium of the Bonds.....	<u>2,942,973.70</u>
Total Sources	<u>\$53,817,973.70</u>

Uses

Deposit to Escrow Fund.....	\$53,288,090.67
Costs of Issuance	183,530.94
Bond Insurance Premium	104,465.34
Underwriters’ Discount	<u>241,886.75</u>
Total Uses	<u>\$53,817,973.70</u>

Optional Redemption

The Bonds are not subject to redemption prior to maturity.

County May Not File For Bankruptcy Protection

Under the NIFA Act, the County is prohibited from filing any petition with any United States district court or bankruptcy court for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller and no such petition may be filed while NIFA bonds or notes remain outstanding.

Contract Remedies

The General Municipal Law (“GML”) of the State provides that it shall be the duty of the governing board (in the case of the County, the County Legislature) to assess, levy and cause to be collected a sum of money sufficient to pay a final judgment which has been recovered against the County and remains unpaid. The GML further provides that the rate of interest to be paid by a municipal corporation upon any judgment against a municipal corporation shall not exceed the rate of nine per centum per annum. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of principal of and interest on the Bonds. Execution or attachment of County property cannot be obtained to satisfy a judgment by holders of the Bonds.

Under the Constitution of the State, the County is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds, and the State is specifically precluded from restricting the power of the County to levy taxes on real property thereof for the purpose of funding such payment.

No principal or interest payment on County indebtedness is past due. To the best of the knowledge of current officials, the County has never defaulted on the payment of principal of and interest on any indebtedness.

Book-Entry-Only System

The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of Bonds and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, Government Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has S&P’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Source: DTC

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

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.

THE COUNTY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST OR PREMIUM, IF ANY, ON THE BONDS, (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS; OR (III) NOTICES SENT TO DTC OR CEDE & CO., AS NOMINEE, AS REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the County and discharging its responsibilities with respect thereto under applicable law, or the County may terminate its participation in the book-entry-only system of transfers through DTC at any time. In the event that such book-entry-only system is discontinued the Bonds will be issued in either bearer or registered form in denominations of \$5,000 or integral multiples thereof. The Bonds will remain not subject to redemption prior to their stated final maturity date.

THE COUNTY

The County is located in New York State on Long Island and has a population over 1.3 million. For a description of the County, its financial condition and projections, and certain economic factors affecting the County, see "APPENDIX A – INFORMATION ABOUT THE COUNTY" and other appendices herein.

LITIGATION

The County, its officers and employees are defendants in a number of lawsuits. Such litigation includes, but is not limited to, actions commenced and claims asserted against the County arising out of alleged torts, civil rights violations, breaches of contracts including union and employee disputes, condemnation proceedings, medical malpractice actions and other alleged violations of law. The County

intends to defend itself vigorously against all claims and actions. See “APPENDIX A – INFORMATION ABOUT THE COUNTY” herein.

OTHER INFORMATION

The County is authorized to spend money for the objects or purposes for which the Bonds are to be issued by the General Municipal Law, the County Law, the County Charter, the County Administrative Code or other applicable law.

This Official Statement does not include either the debt or the tax collection record of the several cities, towns, villages, school districts or other municipal corporations or public corporations within the County, except as herein set forth.

COVENANT TO MAKE CONTINUING DISCLOSURE

At the time of the issuance and delivery of the Bonds, the County will make a covenant for the benefit of the Beneficial Owners (as hereinabove defined) of the Bonds to provide in accordance with the requirements of Rule 15c2-12 of the Securities Exchange Act as the same may be amended or officially interpreted from time to time (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission") during any fiscal year in which the Bonds are outstanding, to the Municipal Securities Rulemaking Board (the “MSRB”) designated by the Commission in accordance with the Rule, certain annual financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained herein and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principals in effect at the time of the audit) for the preceding fiscal year, if any; such information, data and audit, if any, will be so provided on or prior to August 1 of each such fiscal year, but in no event, not later than the last business day of each succeeding fiscal year and (ii) in a timely manner, notices of the occurrence of certain events, as enumerated below, if material.

Notices of Material Events - If applicable, and if material, notices of the occurrence of any of the following events shall be given in a timely manner:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults. It should be noted, however, that neither the Bonds, the proceedings of the County authorizing the Bonds, the Local Finance Law, nor any other law, makes any provision for non-payment related defaults on the Bonds, or other general obligations issued by the County.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties. It should be noted, however, that the County is not legally authorized to establish, nor has it established, a debt service reserve securing the Bonds.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
- (7) Modifications to rights of holders of the Bonds.

- (8) Bond calls.
- (9) Defeasances. It should be noted, however, that neither the Bonds, the proceedings of the County authorizing the Bonds, the Local Finance Law, nor any other law, makes any provision for the legal defeasance of the Bonds.
- (10) Release, substitution or sale of property securing repayment of the Bonds. It should be noted, however, that the Bonds are general obligations of the County and are not secured by any collateral, but rather are entitled to the pledge of the faith and credit of the County.
- (11) Rating changes.

The sole remedy of a Beneficial Owner of the Bonds under this covenant will be to bring an action to compel specific performance in a court in the State having appropriate jurisdiction. A default by the County of its obligations under the covenant shall not be deemed a default on the Bonds.

The County may amend its obligations under the provisions of the covenant without the consent of any holder of the Bonds or Beneficial Owner of the Bonds provided that the County shall first obtain an opinion of nationally recognized bond counsel to the effect that the proposed amendment would not in and of itself cause the covenant to violate the requirements of the Rule if such amendment had been effective at the time of issuance of the Bonds, but taking into account any subsequent change in or official interpretation of the Rule. The County is in compliance with the Rule as it relates to prior disclosure filings.

RISK FACTORS

The following description summarizes some of the risk factors associated with the Bonds and does not purport to be complete. This Official Statement should be read in its entirety.

The financial condition of the County as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the County's control. See "2009 Gap-Closing Contingency Plan" in "APPENDIX A – INFORMATION ABOUT THE COUNTY". There can be no assurance that adverse events in the State and in other jurisdictions of the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions or in other jurisdictions of the country thereby further impacting the acceptability of obligations issued by borrowers within the State, both the ability of the County to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The County is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the County, in any year, the County may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the County. See "STATEMENT OF REVENUES AND EXPENDITURES – Revenues - *State and Federal Aid*" in "APPENDIX A – INFORMATION ABOUT THE COUNTY" herein.

In addition, adverse events within the County could affect the market for the Bonds. These include, but are not limited to, events which impact the County's ability to reduce expenditures and raise

revenues, economic trends, the willingness and ability of the State to provide aid and to enact various other legislation and the County's ability to market its securities in the public credit markets. It is anticipated that the various news media will report on events which occur in the County and that such media coverage, as well as such events, could have an impact on the market for, and the market price of, the Bonds.

A major portion of the County's annual expenditures is utilized in the administration of various federal and State mandated aid programs including Medicaid, Temporary Assistance to Needy Families, and community services. Although a substantial portion of these expenditures (other than Medicaid) is reimbursed by the State and federal governments, typically at the rate of 75% of program costs, expenditures fluctuate in response to overall economic conditions and are difficult to predict. Given recent overall economic conditions, these expenditures are likely to increase.

From time to time, legislation is introduced on the federal and State levels, which, if enacted into law, could affect the County and its operations. The County is not able to represent whether such bills will be introduced in the future or become law.

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds will be covered by the final approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. The proposed form of such opinion is set forth in APPENDIX C hereto. Certain legal matters will be passed upon for the County by its disclosure counsel, the Law Offices of Joseph C. Reid, P.A., New York, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Hiscock & Barclay, LLP, Albany, New York.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes although Bond Counsel observes that interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The County

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

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

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

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

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the County or the Beneficial Owners to incur significant expense.

BOND INSURANCE

THE INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Corp. (“Assured Guaranty” or the “Insurer”) will issue its financial guaranty insurance policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

THE INSURER

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty’s financial strength is rated “AAA” (negative outlook) by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), “Aa2” (on review for possible downgrade) by Moody’s Investors Service, Inc. (“Moody’s”) and “AA” (evolving) by Fitch, Inc. (“Fitch”). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

On July 1, 2009, S&P published a Research Update in which it affirmed its “AAA” counterparty credit and financial strength ratings on Assured Guaranty. At the same time, S&P revised its outlook on Assured Guaranty to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

On May 20, 2009, Moody’s issued a press release stating that it had placed the “Aa2” insurance financial strength rating of Assured Guaranty on review for possible downgrade. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody’s comments.

In a press release dated May 4, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Assured Guaranty to “AA” from “AAA” and placed such rating on Rating

Watch Evolving. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

There can be no assurance as to the outcome of Moody's review or the timing of when such review may be completed, or as to the further action that Fitch or S&P may take with respect to Assured Guaranty.

For more information regarding Assured Guaranty's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission ("SEC") on February 26, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by AGL with the SEC on May 11, 2009.

Acquisition of FSA

On July 1, 2009, AGL acquired the financial guaranty operations of Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance, Inc.

Capitalization of Assured Guaranty Corp.

As of March 31, 2009, Assured Guaranty had total admitted assets of \$1,926,329,505 (unaudited), total liabilities of \$1,570,615,119 (unaudited), total surplus of \$355,714,386 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$1,109,717,908 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009); and
- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by AGL with the SEC on May 11, 2009).

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE-The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE".

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "A2", "A+", and "A+", respectively, to the Bonds maturing in 2010 through 2013. Moody's, S&P and Fitch have assigned ratings of Aa2, AAA and AA respectively to the Insured Bonds with the understanding that a municipal bond insurance policy insuring the payment when due of the principal and interest on the Insured Bonds will be issued by Assured Guaranty.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any of such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price or the availability of a secondary market for the Bonds.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc. of New York, New York, as Financial Advisor in connection with the issuance and sale of its obligations, including the Bonds. Although Public Financial Management, Inc. has assisted in the preparation of the Official Statement, Public Financial Management, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions precedent, to purchase all, but not less than all, of the Bonds from the County at an aggregate purchase price of \$53,576,086.95 (representing the aggregate principal amount of the Bonds plus net original issue premium of \$2,942,973.70 and less Underwriters' discount of \$241,886.75). The Bonds may be reoffered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than those stated on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Robert Thomas, CPA, LLP, will deliver to the County, on or before the closing date of the Bonds, its attestation report indicating that it has examined the information and assertions provided by the County and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations to pay, when due, the maturing principal of and interest and redemption premium on the Refunded Bonds, and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Code.

MISCELLANEOUS

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the County management's beliefs, as well as assumptions made by, and information currently available to, the County's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the County files with the repositories. When used in County documents or oral presentations, the words "anticipate," "estimate," "expect," "objective," "projection," "forecast," "goal," or similar words are intended to identify forward-looking statements.

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, such matters of opinion and estimates are set forth as such and not as representations of fact. Neither this Official Statement nor any statement which may have been made verbally or in writing in connection therewith is to be construed as a contract with the holders of the Bonds.

Neither the County's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Upon delivery of the Bonds the County Treasurer shall furnish a certificate stating (i) to his knowledge the Official Statement did not contain any untrue statements of material fact or omit to state a

material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the County is not guaranteed as to accuracy, completeness or fairness, he has no reason to believe and does not believe that such information is materially inaccurate or misleading, (ii) to his knowledge, since the date of said Official Statement, there have been no material transactions not in the ordinary course of affairs entered into by the County and no material adverse changes in the general affairs of the County or in its financial condition as shown in the Official Statement other than as disclosed or contemplated by said Official Statement, and (iii) that no litigation is pending or, or to the knowledge of the County, threatened affecting the Bonds.

Periodic public reports relating to the financial condition of the County, its operations and the balances, receipts and disbursements of the various funds of the County are prepared by the various departments of the County, and in certain instances examined by independent certified public accountants. In addition, the County regularly receives reports from consultants, commissions, and special task forces relating to various aspects of the County's financial affairs, including capital projects, County services, taxation, revenue estimates, pensions, and other matters.

Information pertaining to the Official Statement may be obtained upon request from the Office of the County Treasurer, County Office Building, 240 Old Country Road, Mineola, New York 11501, telephone (516) 571-2090.

The Official Statement is submitted only in connection with the sale of the Bonds by the County and may not be reproduced or used in whole or in part for any other purpose.

The execution and delivery of this Official Statement and its delivery have been duly authorized by the County Treasurer on behalf of the County.

COUNTY OF NASSAU, NEW YORK

By: /s/ Steven D. Conkling
County Treasurer

August 6, 2009

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APPENDIX A
INFORMATION ABOUT THE COUNTY

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INFORMATION ABOUT THE COUNTY

The information below provides comprehensive information on the County, its financial management, current financial condition, litigation and other information and factors affecting the County.

THE COUNTY

The County is located on Long Island and has a population of over 1.3 million. It is bordered to the west by the New York City borough of Queens, to the east by Suffolk County, to the north by Long Island Sound and to the south by the Atlantic Ocean. The County was formed on January 1, 1899 and since 1938 has operated under the County Charter. The County Charter was the first of its type in the State and established a form of government headed by a County Executive and a Board of Supervisors.

The County Executive heads the executive branch of County government. The legislative power of the County is vested in the 19-member County Legislature, which superseded the Board of Supervisors in 1996. The County Comptroller has the authority to audit the records of the County departments and special districts, to examine and approve all payment vouchers including payroll, to ascertain that funds to be paid are both appropriated and available and to report the financial status of the County to the County Legislature. The County Treasurer, the County's chief fiscal officer, receives and has custody of all County funds (unless otherwise provided by law) including County taxes, collects most revenues and is responsible for the issuance of all County debt.

The County Executive and the County Comptroller are each elected for four-year terms and the members of the County Legislature are elected for two-year terms. The County Treasurer is appointed by the County Executive and confirmed by the County Legislature.

County Officials

County Executive – Thomas R. Suozzi

Thomas R. Suozzi was first elected as County Executive on November 6, 2001 and sworn into office on January 1, 2002. Mr. Suozzi was re-elected on November 8, 2005. He lives in Glen Cove, New York, where he was born and raised. He graduated from Chaminade High School, Boston College, and Fordham University Law School.

Mr. Suozzi has been an auditor with one of the world's largest accounting firms, a commercial litigator for a major Wall Street law firm and a law clerk to the Chief Justice of the United States District Court for the Eastern District of New York. In 1993, Mr. Suozzi was elected Mayor of the City of Glen Cove and served four terms. Mr. Suozzi is the recipient of many awards for his efforts as an environmentalist and in labor relations and was named a public official of the year by Governing Magazine in November 2005.

County Legislators

Kevan M. Abrahams
Francis X. Becker, Jr.
Judi Bosworth
John J. Ciotti
Roger H. Corbin
David W. Denenberg
Dennis Dunne, Sr.
Denise Ford
Norma L. Gonsalves
Judith A. Jacobs

Edward P. Mangano
David Mejias
Vincent T. Muscarella
Richard J. Nicoletto
Joseph K. Scannell
Peter J. Schmitt
Jeffrey W. Toback
Wayne H. Wink, Jr.
Diane Yatauro

Presiding Officer, County Legislature – Diane Yatauro

Nassau County Presiding Officer Diane Yatauro, of Glen Cove, represents the 18th Legislative District, covering Bayville, Brookville, Centre Island, Glen Cove, Glen Head, Lattingtown, Locust Valley, Matinecock, Mill Neck, Old Brookville, Old Westbury, Sea Cliff, Upper Brookville, and parts of Greenvale, Hicksville, Jericho, and Oyster Bay.

She was first elected to the County Legislature in 2003 and is currently serving her 3rd term. Presiding Officer Yatauro is Chair of the Rules and Procedures committees, Vice-chair of Budget Review Committee, and is a member of the Committee on Aging and the Labor Committee.

Ms. Yatauro is a former Second Vice President of Chase Manhattan Bank, and she is past Vice President of the Oyster Bay East Norwich Boys and Girls Club, as well as a former board member of Portledge School. She continues to teach religion at St. Rocco's Catholic Church in Glen Cove.

County Comptroller – Howard S. Weitzman

Howard Weitzman was elected as Nassau County's 11th Comptroller on November 6, 2001 and sworn into office in January 2002. Mr. Weitzman was re-elected on November 8, 2005. A graduate of Brooklyn Technical High School and Queens College, he also pursued management studies at Stanford University and Baruch College. He has resided in the County for more than 30 years.

A certified public accountant, Mr. Weitzman built and managed one of the largest accounting firms in the country specializing in health care before merging it into KPMG where he served as a national healthcare partner. After leaving public accounting, he founded and ran a public pharmaceutical company and a private medical finance company. Mr. Weitzman's prior public service career includes six years as Mayor of the Village of Great Neck Estates. He has also served as a member of the County's Board of Assessors, a village trustee, a director of the Water Authority of Great Neck North and as vice president of the Great Neck Village Officials Association.

Deputy County Executive for Management, Budget and Finance – Thomas W. Stokes

Thomas W. Stokes has served as Deputy County Executive for Management, Budget and Finance since February 2006. He was the County's Chief Financial Officer and Strategist for the County Department of Health & Human Services from 2002-2005 after working with his predecessor on the County's financial turnaround plan in early 2002. In 1995, Mr. Stokes joined Ernst & Young LLP's health care consulting division and rose to the rank of Assistant Director of Finance by 1997, prior to Cap Gemini's purchase of Ernst & Young's consulting division in 1999. As Assistant Director of Finance and Operations with Cap Gemini Ernst & Young LLC from 1999-2001, he managed the finance and

operations for Strategy & Transformation, e-Commerce and New Business Ventures divisions. Mr. Stokes holds a bachelor's degree in business administration from the State University of New York and an MBA in corporate finance from Dowling College.

County Treasurer – Steven D. Conkling

Steven D. Conkling was appointed County Treasurer in March 2006. Prior to his appointment as Treasurer, Mr. Conkling worked in investment banking, specializing in mergers & acquisitions. From 2001–2005, Mr. Conkling was an Investment Vice President in Prudential Financial Inc.'s Corporate Mergers & Acquisitions Group, responsible for executing domestic and international transactions. Prior to joining Prudential, Mr. Conkling worked at Chase Manhattan Corporation. From 1994-2001, he was a Vice President in the Global Mergers & Acquisitions Group of Chase Securities Inc. As a member of Chase's Corporate Finance Department from 1988-1994, Mr. Conkling assisted in managing and executing the bank's mergers & acquisitions, capital markets activities, and holding company liquidity.

Mr. Conkling earned an M.B.A. from New York University Stern School of Business and a B.S. in Finance and Economics from Boston College.

County Budget Director – John O'Neill

John O'Neill joined the Office of Management and Budget ("OMB") in 2007 and became County Budget Director effective June 1, 2009. In this capacity, his responsibilities include the development and implementation of the annual budget and multi-year financial plan, monitoring departmental expenses and revenues, providing fiscal support to departments and interacting with fiscal monitors. Mr. O'Neill has been the Deputy Commissioner for Finance in the Department of Social Services since October 2008, where he provided fiscal leadership, policy and strategic direction for one of the largest departments in the County. He also held the position of Deputy Director in OMB from 2007 to 2008. Prior to joining the County, he was a Vice President at one of the premier financial institutions in the world, JPMorgan Chase, a Fortune 50 Company where he held the position of Chief Financial Officer for their Commercial Card Unit. Mr. O'Neill has held various strategic planning, accounting and finance roles in his eight-plus year tenure at JPMorgan Chase. From 1990 to 1998, he worked for Fleet Bank and NatWest Bank where he held various finance and accounting roles in the controller's department. Mr. O'Neill worked for 17 years in the financial services industry and holds an MBA in Corporate Finance from Dowling University and a bachelor's degree in accounting from Hofstra University.

County Attorney – Lorna Bade Goodman

Lorna Bade Goodman was appointed as County Attorney in January 2002. As the chief legal officer of the County, Ms. Goodman is responsible for representing the County, its officers and employees in virtually every civil legal action brought on behalf of or against the County, and for prosecuting juveniles in Family Court. Ms. Goodman oversees all legal aspects relating to the County's contracts, acts as legal advisor for the County's bond offerings, and provides legal counsel to the executive and legislative branches of the County government. Prior to Ms. Goodman's appointment as County Attorney, she served as the Senior Assistant Corporation Counsel for Affirmative Litigation in the New York City Law Department from 1994 through 2001.

Ms. Goodman earned an A.B. degree from Vassar College in 1963 and a J.D. degree from Hofstra Law School in 1975.

County Government

County Executive

The County Executive is the chief administrator of County government, supervising the performance of all County agencies and departments including, but not limited to, OMB, law enforcement, economic development, planning, social services, public works and parks. The County Executive appoints department heads, commissioners, and other employees. In addition, the County Executive proposes to the County Legislature the County's operating budget and capital budget and multi-year financial plans.

The current County Executive has established a government management organization structure based on the concept of vertical accountability, with each line of managerial responsibility referred to as a "vertical." There are five verticals: Public Safety; Health and Human Services; Parks, Public Works and Partnerships; Management, Budget and Finance; and Economic Development, as well as a group of departments that support all verticals such as the Office of the County Attorney, Information Technology and Human Resources, known as Shared Services. A Deputy County Executive is responsible for the management of each vertical and for the departments within it. The County Executive believes that the vertical organization structure is critical in developing managerial accountability and ensuring a satisfactory level of service within the context of fiscal discipline.

County Legislature

Pursuant to the County Charter, the County Legislature meets to consider the approval of County laws, ordinances and resolutions, including those relating to multi-year financial plans, budgets, capital plans and capital budgets, certain contracts, the appointment of department heads and tax rates and levies. See "Budget Process and Controls" within this section. The County Legislature is also empowered to hold public investigative hearings. Ordinances, resolutions and local laws require at least ten affirmative votes for passage, except that bond ordinances and certain other actions require at least thirteen votes.

County Financial Management

The Deputy County Executive for Management, Budget and Finance is responsible for all budget and finance matters in the County - overseeing OMB, the Office of the County Treasurer, the Purchasing Department and the Department of Assessment - and is the County Executive's principal liaison with the County Comptroller and the Assessment Review Commission ("ARC").

Key Departments

OMB. OMB is primarily responsible for developing the County's operating budgets, capital plans and budgets and multi-year financial plans, as well as quarterly and monthly financial reports. OMB also works with departments to develop smart government initiatives, the status of which budget examiners review monthly. OMB assigns a deputy budget director to each key County operational area or vertical to serve as its chief financial officer, providing expertise on budget and finance matters such as capital planning and revenue management. OMB is also responsible for financial reporting and performance measurement used by the County's management, departments, fiscal monitors, investors and the public.

County Treasurer. The Office of the County Treasurer is responsible for managing the County's cash receipts and disbursements, maintaining the County's bank accounts and investing County funds on a daily basis. The office also coordinates with the County Comptroller's Office to ensure that all transactions are recorded in a timely fashion and the County's books and records are accurate and complete. The County Treasurer is responsible for the issuance of all County debt obligations. The Office of the County Treasurer also tracks the use of bond and note proceeds, and the investment of unexpended funds, to monitor potential arbitrage rebate liability.

Purchasing Department. The Purchasing Department purchases all materials, supplies, and equipment for the County, except for the Board of Elections, pursuant to applicable procurement procedures, and is responsible for price and vendor selections, placement of purchase orders and contract administration.

Financial Policies

Debt Policy. The goals and objectives of the County's debt management policy, as included in the 2009-2012 Multi-Year Financial Plan, are as follows: (1) to guide the County and its managers in policy and debt issuance decisions; (2) to maintain appropriate capital assets for present and future needs; (3) to promote sound financial management; (4) to protect and enhance the County's credit rating; (5) to ensure the legal and prudent use of the County's debt issuance authority; and, (6) to evaluate debt issuance options.

The policy provides that debt issuance will be planned to achieve relatively level debt service while matching debt service to the useful life of facilities. The policy also states that the County will avoid the use of bullet or balloon maturities except in those instances where these maturities serve to make existing overall debt service level (to the extent permissible under the Local Finance Law). The County may elect a more rapid or other debt service structure, such as declining debt service (i.e., equal principal amortization), at its discretion.

Fund Balance Policy. The County Executive has established a fund balance and reserve policy that draws upon the recommendations of the Government Finance Officers Association, the National Advisory Council on State and Local Government Budgeting and the credit rating agencies. The policy outlines an approach to the accumulation and use of unreserved fund balance and reserve funds that takes into consideration issues that are specific to the County. It identifies an array of reserve funds that helps the County stabilize its budget and finance important policy objectives. The policy sets recommended levels of unreserved fund balance of no less than 4% and no more than 5% of normal prior-year expenditures made from its general fund and the County-wide special revenue funds. Additionally, the policy calls for maintaining a combined level of financial resources in its unreserved fund balance and its reserve funds of no less than 5% and a target of 7.5% of normal prior-year expenditures. The policy outlines the conditions under which the County's unreserved fund balance ought to be replenished, and identifies the appropriate uses for its unreserved fund balance, its reserve funds, and any projected operating surpluses. The County's current fund balance policy was first adopted as part of the 2006-2009 Multi-Year Financial Plan. As of December 31, 2008, the County's unreserved fund balance totaled \$74.1 million or 2.97% of the County's prior-year expenditures. The County also maintains various reserves created pursuant to GML; these reserves totaled approximately \$14.9 million as of December 31, 2008. See "COUNTY FINANCIAL CONDITION – 2008 Financial Projections and 2009-2012 Multi-Year Financial Plan" herein. These reserves may be utilized with the approval of the County Legislature.

Investment Policy. Under the law of the State, the County is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and

interest is guaranteed by the United States of America; (4) obligations of the State (or public authorities of the State as may be provided by law); (5) with the approval of the State Comptroller, tax anticipation notes and revenue anticipation notes issued by any municipality (other than the County), school district or district corporation in the State; (6) certain certificates of participation issued on behalf of political subdivisions of the State; and (7) in the case of County monies held in certain reserve funds established pursuant to law, obligations issued by the County. The law further requires that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by a pledge of eligible securities (or a pro rata portion of a pool of eligible securities), an eligible surety bond or an eligible letter of credit, as those terms are defined in the law. The County's investment policy authorizes the County to enter into repurchase agreements, subject to certain restrictions. From time to time, the County Legislature adopts resolutions setting forth the County's investment policy in accordance with the above statutory limitations, which policy currently substantially mirrors (1) through (7) above. The primary objectives of the County's investment program are to: (1) comply with all applicable provisions of law; (2) safeguard the principal of all investments; (3) provide sufficient liquidity to ensure that monies invested are available to meet expenditures and fulfill obligations as they come due; and (4) obtain the maximum rate of return that is consistent with the preceding objectives.

Swap Policy. State law does not empower the County to enter into interest rate exchange agreements, i.e., swaps. NIFA and the Nassau Health Care Corporation ("NHCC") are statutorily empowered, under certain circumstances, to enter into swaps. NIFA and NHCC have executed several LIBOR-based swaps to hedge their variable rate debt exposure and to enhance the savings expected to be generated by various refundings of outstanding debt, which conform to the County's swap policy described below.

To the extent that the swaps into which NIFA has entered do not perform as expected, the County's financial position will be positively or negatively affected. Pursuant to the Stabilization Agreement and the Successor Agreement (each as described herein), the interest and net swap payments are made by the County on behalf of NHCC and are netted against the service and other payments the County makes to NHCC. Accordingly, NHCC bears the exposure for swaps that under-perform expectations and benefits in the event the swaps outperform expectations.

The County utilizes a swap policy to guide its decisions regarding swaps. The policy identifies six reasons for entering into swaps: optimize the County's capital structure; achieve appropriate asset/liability match; actively manage or reduce interest rate risk; provide greater financial flexibility; generate interest rate savings; and enhance investment yields.

The County's swap policy puts forth a series of recommended terms for swap agreements. The policy recommends the use of ISDA swap documentation, including the Schedule to the Master Agreement, the Credit Support Annex, and a Swap Confirmation. The policy recommends that swaps should provide for optional termination at market at any time and in the event of a counterparty credit downgrade. The policy also recommends that swap agreements should only be made with qualified swap counterparties, and that the County should seek to diversify counterparty credit risk.

LIBOR-based interest rate swaps carry certain risks, notably basis risk, counterparty risk, rollover risk, tax risk, and termination risk. Working with NIFA and NHCC, respectively, the County has made efforts to mitigate these risks. As recommended by the swap policy, the County regularly monitors these risks.

Risk Management

The County is exposed to various risks of loss related to torts, property loss, employee injuries, motor vehicle accidents and errors and omissions of its employees. The County's Risk Management Unit monitors and directs policies and procedures to reduce and control the County's overall risk exposures. The County self-insures for most risk exposures. The County has transferred some of its risk by means of both property and liability insurance coverage for all police helicopters. The County also maintains a blanket fidelity bond covering all County employees. The County has established minimum insurance requirements for all contractors and vendors providing services to the County.

The County has centralized all risk management responsibilities to provide improved control and management of the cost of risk for the County. As part of this process the County's claims management procedures have been revised to accelerate the investigation of claims and increase subrogation efforts. A dedicated Fraud Prevention Program with a Special Investigation Unit has been established for further investigation of some claims. A safety inspection and investigation program has been implemented. A full review of all insurance programs has been completed.

The County continues to focus on the management of its workers' compensation program. The Risk Management Unit is actively working with the third-party administrator for the workers' compensation claims management program, to find ways to reduce and control losses. Improved claims management programs, including early investigations of workers' compensation claims, have been introduced. Detailed reports have been developed to target safety improvements needed and areas requiring further management of loss exposures. Subrogation efforts and the transfer of losses to the State second injury fund have been increased resulting in significant savings. The use of lump sum settlements has been increased. Improved procedures and preparation for workers compensation hearings has resulted in a significant increase in favorable decisions.

Risk management policies and procedures for key risk related areas are being developed to further reduce losses. Since implementing its Motor Vehicle Risk Management Policy and Procedure, the County has experienced a significant reduction in the number of accidents involving County-owned motor vehicles. A Work Place Violence Policy and Procedure has been developed to conform to new state regulations. A new subrogation procedure will be developed and implemented during the second quarter of 2009 to increase subrogation recoveries.

Budget Process and Controls

The County Charter requires the County Executive to submit, no later than September 15th of each year, to the County Legislature for its review an annual operating budget for the ensuing fiscal year (January 1st through December 31st) and a multi-year financial plan. Each year during a control period (as described herein), the NIFA Act requires the County to submit the proposed budget to NIFA, which must be consistent with the accompanying multi-year financial plan.

The County Legislature holds budget hearings after the County Executive submits his proposed budget. After the conclusion of the public hearings, the County Legislature may reduce, increase or strike out any item of appropriation in the proposed budget. Prior to any increase, however, another public hearing is necessary. The County Executive has the power to veto any item that constitutes an addition or increase in the proposed budget. The County Legislature has the power to override such a veto by affirmative vote of at least thirteen out of its nineteen members and then approve by ordinance the final budget. Within ten days of the final approval of the budget by the County Legislature, the County Executive may veto any item that constitutes a change from the proposed budget, while at the same time approving the remainder of the budget. The County Legislature may override any such vetoed item

within seven days by an affirmative vote of at least thirteen members. Upon final adoption of the budget, the County Legislature must pass an appropriation ordinance for such budget and levy taxes for the ensuing year not later than October 30th.

During the year, the County Executive may recommend changes to the adopted budget. Transfers of spending authority between departments and certain transfers within departments require approval by majority vote of the County Legislature. The County Executive may also recommend appropriating revenues not recognized in the adopted budget. Such supplemental appropriations require approval by thirteen affirmative votes of the County Legislature.

The County has established controls to ensure compliance with adopted budgets. OMB and the County Comptroller supervise and control the expenditure and encumbrance of appropriations, and monitor revenues. The County's financial management system provides for on-line inquiries of budgeted and actual obligations and revenues, which are used to analyze current activity and historical trends, and to formulate forecasts of future operating results. Appropriations, which have not been expended or encumbered, lapse at the end of the year.

COUNTY FINANCIAL CONDITION

Financial Projections

The County is currently projecting to end the 2009 fiscal year with a \$2.7 million operating deficit, of which the MTA Payroll Tax, enacted by the State in May 2009, accounts for \$2.5 million. This gap is expected to be closed as cost containment measures are implemented.

2009 Budget and 2009-2012 Multi-Year Financial Plan

The County Executive submitted the proposed 2009 Budget to the County Legislature on September 14, 2008. The County Legislature adopted the budget on October 29, 2008, which included legislative amendments totaling \$29 million. The adopted 2009 Budget includes \$2.6 billion in appropriations, excluding interdepartmental and inter-fund transfers, to support the Major Operating Funds. The adopted 2009 year-over-year growth is 1.7% over the 2008 Budget, at a time when the Consumer Price Index was 4.3%. All positions were fully funded. The adopted 2009 Budget assumed that \$11 million in surplus from 2008 would be used to replenish the Retirement Contribution Reserve Fund. The County, however, will not be able to replenish the Retirement Contribution Reserve Fund for purposes of making such pension payments during 2009. It also included a 3.9% property tax increase, which will yield \$35 million in revenues, and for the first time, tax levies were adjusted to capture an additional \$4.2 million for the value of new construction. The County addressed concerns about a slowing economy by using a modest sales tax growth rate of 0.5%.

On December 3, 2008, NIFA unanimously approved the 2009-2012 Multi-Year Financial Plan and the 2009 Budget. As required by NIFA, the County submitted a revised Multi-Year Financial Plan to NIFA on May 1, 2009. The 2009-2012 Multi-Year Financial Plan Update submitted to NIFA extends the core gap-closing measures that have been utilized previously by the County. A summary of such measures is shown in Figure 1. Subsequently, the County identified a potential gap in the 2009 Budget. See "2009 Gap-Closing Contingency Plan".

FIGURE 1

SUMMARY OF GAP-CLOSING MEASURES
 INCLUDED IN THE 2009-2012 MULTI-YEAR FINANCIAL PLAN UPDATE
 MAJOR OPERATING FUNDS (IN MILLIONS)

	2010	2011	2012
Estimated Baseline Gap	(\$72.3)	(\$173.5)	(\$225.9)
Gap Closing Measures			
Health Insurance	9.0	14.0	14.0
Property tax increases (3.9%)	31.6	64.5	98.7
Strategic Government Initiatives	10.5	19.7	20.2
Workforce Management	<u>5.7</u>	<u>14.0</u>	<u>20.0</u>
Subtotal Gap Closing Measures	<u>\$56.8</u>	<u>\$112.2</u>	<u>\$152.9</u>
Surplus/Deficit After Gap Closing Measures	(\$15.5)	(\$61.3)	(\$73.0)
Options to Close Remaining Gap			
Video Lottery Terminals	\$20.0	\$20.0	\$20.0
Cigarette Tax	26.4	26.4	26.4
FIT Reimbursement	-	4.1	4.1
Discretionary Programming Reductions	12.0	12.0	12.0
Fast Food Tax	11.8	11.8	11.8
Debt Restructuring	<u>-</u>	<u>5.0</u>	<u>5.0</u>
Subtotal Options to Close Remaining Gap	<u>\$70.2</u>	<u>\$79.3</u>	<u>\$79.3</u>
Surplus/Deficit Assuming Gap Closing Options	\$54.7	\$18.0	\$6.3

Note: Totals may not add-up due to rounding.

These measures include continued workforce management, initiatives to reduce costs and generate new revenues, and further concessions from the County’s labor unions. The plan assumes that the County will exhaust its Retirement Contribution Reserve Fund (discussed below in this section) in 2009. Beginning in 2009, the County increased its property tax levy supporting the Major Operating Funds by 3.9% , and expects to continue to do so annually during the remainder of the plan period. The 2009-2012 Multi-Year Financial Plan Update continues support of the appropriation to finance a portion of the expense of judgments and settlements on a pay-as-you-go basis.

The County has identified a number of potential risks to its future financial performance. See “2009 Gap-Closing Contingency Plan”. Such risks include, but are not limited to, a decline in County sales tax revenues, a decline in the real estate market, the inability to achieve various gap closing measures, the County’s exposure to potentially adverse legal judgments, the continued commitment to institutionalization of financial and managerial reforms, the stability of NHCC, the future of the New York Racing Association and Off-Track Betting Corporations in the State, and the recognition of the liability associated with retiree health insurance required by GASB Statement No. 45 (“GASB 45”) issued by the Government Accounting Standards Board (“GASB”). GASB 45 requires municipalities and school districts to account for other post-employment benefits (“OPEB”) much like they account for

pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. The County is in compliance with the requirements of GASB 45 and as of January 1, 2009, the County's unfunded accrued liability for OPEB is \$3.342 billion.

The 2009-2012 Multi-Year Financial Plan Update identifies a number of contingencies the County could exercise in the event that risks emerge which threaten the County's financial performance. For example, the County may continue using surplus current-year resources, if any, to defray non-recurring expenses in the out-years of the Multi-Year Financial Plan. The County has established various restricted reserve funds pursuant to the GML, including a Retirement Contribution Reserve Fund, an Employee Accrued Liability Reserve Fund, and a Reserve for the Retirement of Bonded Indebtedness. Such reserves are projected to be approximately \$4.2 million as of December 31, 2009. These reserves may be utilized with the approval of the County Legislature.

The County has been monitoring the ongoing economic and financial crisis and its potential impact on County finances. The County has prepared a contingency plan that includes program reductions, new sources of revenue, job cuts and other actions, should future budget projections show a budget imbalance. See "2009 Gap-Closing Contingency Plan".

As discussed herein, the County is required to close substantial current and future budgetary gaps in order to maintain balanced operating results. There can be no assurance that the County will continue to maintain balanced operating results as required by State law without revenue increases or reductions in County services or entitlement programs.

For its normal operations, the County depends on aid from the State both to enable the County to balance its budget and to meet its cash flow requirements. There can be no assurance that there will not be reductions in State aid to the County from amounts currently projected, that State budgets will be adopted by the April 1 statutory deadline, that interim appropriations will be enacted or that any such reductions or delays will not have adverse effects on the County's cash flow or expenditures. In addition, the annual federal budget negotiation process could result in a reduction or a delay in the receipt of federal reimbursements that could have adverse effects on the County's cash flow or revenues.

The County's projections in its multi-year financial plans are based on various assumptions which are uncertain and which may not materialize. Such assumptions are described throughout this Official Statement and include the condition of the regional and local economies, the provision of State and federal aid and the impact on County revenues and expenditures of any future federal or State policies affecting the County.

Actual revenues and expenditures may be different from those forecast in the multi-year financial plans.

Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the County from its records. The presentation of such information is intended to show recent historical data and is not intended to indicate future or continuing trends in the financial position or other affairs of the County.

The factors affecting the County's financial condition described throughout the Official Statement, including but not limited to those in this "APPENDIX A – INFORMATION ABOUT THE COUNTY", are complex and are not intended to be summarized in this section. The Official Statement, including the Appendices, should be read in its entirety.

2009 Gap-Closing Contingency Plan

The County is currently projecting a budget gap in 2009 of approximately \$2.7 million (assuming implementation of the gap-closing contingency plan described in this section), primarily caused by significant reduction in projected sales tax revenue. The County assumes a sales tax shortfall of 6%, or \$93.4 million for 2009. In addition, the County projects a \$5.5 million shortfall in investment income due to the Federal Reserve's aggressive lowering of interest rates. Although the County was successful in obtaining the necessary State legislation to implement its red-light-camera safety initiative, a third major risk to the 2009 Budget is the possibility that the State will not approve legislation necessary to implement a parking ticket surcharge (approximately \$7.9 million). Other potential material risks to the 2009 Budget include increased interest payments on variable rate debt, and costs associated with increased public assistance caseloads.

On February 2, 2009, the County submitted a gap-closing contingency plan to NIFA. The County plans to close the projected budget gap as follows:

Medicaid cost savings in federal stimulus legislation:

Following enactment of the federal stimulus legislation (The American Recovery and Reinvestment Act of 2009) on February 17, 2009, the County projects that the resulting net expenditure savings in Medicaid costs in 2009 to the County will be approximately \$40-45 million.

Various County initiatives:

The County was successful in attaining the required State legislation to implement a home energy tax and its red-light-camera safety initiative, and plans to continue working with the State for passage of State legislation necessary to implement other County initiatives to generate revenue (for example, the parking ticket surcharge described above, along with a cigarette tax). If needed, additional expenditure reductions could include cuts in youth programs, public health, senior citizen, and social services, and behavioral health programs; and cuts in local government assistance to villages. Some combination of these two alternatives is expected to produce savings and/or generate revenue of approximately \$12 million. The County has already enacted the local energy tax.

Workforce-cost and operational savings:

The County plans to implement changes with respect to its workforce and operations to achieve approximately \$55 million in budgetary savings. In furtherance of such savings target, the County will defer a portion of some or all employee 2009 wages until separation from employment. Also in furtherance of such savings target, the County has been considering certain workforce-cost savings proposals in negotiations with representatives of the County's applicable collective bargaining units. The County reached agreements with all but one of the collective bargaining units representing County employees for an employee separation incentive. Under this proposal, employees who meet defined eligibility criteria (based on length of service and eligibility to retire with a pension), and agree to resign from service and/or retire, will receive a one-time incentive payment (based on length of service) and payout of accumulated termination pay (vacation, personal and sick leave, longevity and similar payments) under currently-more favorable terms to the employee. The County will implement this proposal only upon the following conditions: (1) that a sufficient number of employees (commensurate with the layoff plan described in the next paragraph) elect to separate and (2) that the State enacts legislation, which it has done, necessary for the County to issue debt to finance the costs of the proposal, i.e., separation incentive payments, termination payments or similar payments. Further the County Legislature would then have to approve a bond ordinance in order for the County to issue debt for this

purpose. The plan allows the County to delay the benefits of the separation incentive with respect to certain employees if the County deems them necessary for continued operations.

If the County is unable to achieve its savings target as described in the previous paragraph, it plans to obtain some or all of such targeted savings from one or more of the of the following: through layoffs and reduced operations (office closings), and/or by reductions in salary or wages. Under the first alternative, the County would implement a layoff plan covering up to approximately 320 non-public safety unionized employees, up to approximately 100 corrections officers and up to approximately 250 police officers. Special units in both the Police Department and the Corrections Department could be reduced, and, in some cases, eliminated. All but nine parks facilities could be closed. The County would identify another 200 to 300 layoffs. Commensurate layoffs of non-union employees would also occur. In addition, the County would close for business on 26 additional days in 2009. Under the second alternative, every employee would take a percentage reduction in salary or wages.

In all, the County plans to implement some or all of the gap-closing measures described above in this section, or additional measures, to produce savings and/or generate revenues in order to close the projected gap in the 2009 Budget. One or more of these items may require State legislation, agreement by collective bargaining units, actions by the County legislature, participation by sufficient numbers of employees in the separation incentive and/or other actions beyond the control of the administration of the County. No assurance can be made that any such actions will be taken and/or necessary agreement will be achieved.

COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT

MONITORING AND OVERSIGHT

In addition to the oversight role of OMB within the administration, various entities monitor and review the County's finances pursuant to State or local law, including the County Comptroller, the County Office of Legislative Budget Review, NIFA, independent auditors and the State Comptroller.

Internal

County Comptroller

In accordance with the County Charter, the County Comptroller maintains and audits the County's accounts. His powers include: auditing County departments and contractors to identify and prevent waste, fraud and abuse; reviewing contract payment terms, determining that funds are available for payment, and that payment of vendor claims are appropriate; monitoring the County's budget and financial operations; preparing the County's year-end financial statements; and issuing fiscal impact statements on matters that significantly affect the financial health of the County.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada ("GFOA") has awarded a Certificate of Achievement for Excellence in Financial Reporting (a "Certificate") to the County for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2007. A Certificate is valid for a period of one year only. The County believes that its current comprehensive annual financial report continues to meet the Certificate program's requirements and intends to submit it to GFOA to determine its eligibility for another Certificate.

Office of Legislative Budget Review

The non-partisan Office of Legislative Budget Review, established by the County Charter, analyzes financial data such as budgets, Multi-Year Financial Plans (as defined herein) and capital plans on behalf of the County Legislature. The Office of Legislative Budget Review publishes reports from time to time on budgets, Multi-Year Financial Plans and the operations of select County departments. Such reports are available at the Office of Legislative Budget Review, 1550 Franklin Avenue, Mineola, New York 11501.

External

NIFA

Since enactment in 2000 of the Nassau County Interim Finance Authority Act, codified as Title I of Article 10-D of the State Public Authorities Law (the “NIFA Act”), creating NIFA, the County’s finances have been subject to oversight by NIFA. NIFA is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation with limited authority to oversee the County’s finances. Under the NIFA Act, NIFA has both limited authority to oversee the County’s finances, including covered organizations as defined in the NIFA Act and discussed further below (“Covered Organizations”), and upon the declaration of a control period (described below), additional oversight authority. The interim finance period under the NIFA Act expired at the end of 2008.

Pursuant to the NIFA Act, NIFA performs ongoing monitoring and review of the County’s financial operations, including, but not limited to: recommending to the County and the Covered Organizations measures related to their operation, management, efficiency and productivity; consulting with the County in preparation of the County’s budget; reviewing and commenting on proposed borrowings by the County (as more fully described below); determining whether to make transitional State aid available; and performing audits and reviews of the County, any of its agencies and any Covered Organization.

As part of its oversight responsibilities, NIFA is required to review the terms of and comment on the prudence of each issuance of bonds or notes proposed to be issued by the County, and no such borrowing may be made unless first reviewed and commented upon by NIFA. NIFA has reviewed and had no objection to the issuance of the Bonds.

NIFA is further empowered to impose a control period, as defined in the NIFA Act, upon its determination that any of the following events has occurred or that there is a substantial likelihood and imminence of its occurrence: (1) the County shall have failed to pay the principal of or interest on any of its bonds or notes when due or payable; (2) the County shall have incurred a major operating funds deficit of 1% or more in the aggregate in the results of operations during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles (“GAAP”); (3) the County shall have otherwise violated any provision of the NIFA Act and such violation substantially impairs the marketability of the County’s bonds or notes; (4) the County Treasurer certifies at any time, at the request of NIFA or on the County Treasurer’s initiative, that on the basis of facts existing at such time, the County Treasurer cannot certify that securities sold by or for the benefit of the County in the general public market during the fiscal year immediately preceding such date and the then current fiscal year are satisfying the financing requirements of the County during such period and that there is a substantial likelihood of a similar result from such date through the end of the next succeeding fiscal year; or (5) if, in regard to the County’s financial plan covering the County and the Covered Organizations, NIFA adopts a resolution finding, as required by the NIFA Act, that the County has failed to make

required modifications after reductions in revenue estimates, or to provide a modified plan in detail and within such time period required by NIFA.

During a control period NIFA would be required to withhold transitional State aid and 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; issue binding orders to the appropriate local officials; impose a wage freeze; and terminate the control period upon finding that no condition exists which would permit imposition of a control period. NIFA has never imposed a control period nor does the County anticipate that it will do so in the foreseeable future.

Under the NIFA Act, the County and the Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller, and no such petition may be filed while NIFA bonds remain outstanding. Under the NIFA Act, the term Covered Organizations includes NHCC and any other governmental agency, public authority or public benefit corporation which receives or may receive monies directly, indirectly or contingently from the County, with certain statutory exceptions. In addition, pursuant to Chapter No. 685 of the Laws of 2003, the Nassau County Sewer and Storm Water Finance Authority is a Covered Organization under the NIFA Act. See "SEWER AND STORM WATER RESOURCES SERVICES" herein. See also "NASSAU COUNTY INTERIM FINANCE AUTHORITY" herein for a discussion of NIFA's former authority to issue debt on behalf of the County.

Independent Auditors

The County retains independent certified public accountants to audit the County's financial statements. The current audit report covers the years ended December 31, 2008 and 2007 and may be found attached as APPENDIX B to this Official Statement. The County's financial statements are prepared in accordance with GAAP.

State Comptroller

The Department of Audit and Control of the State Comptroller's office periodically undertakes performance audits and is also authorized to perform compliance reviews to ascertain whether the County has complied with the requirements of various State and federal laws.

STATEMENT OF REVENUES AND EXPENDITURES

Major Operating Funds

The 2009 Budget contains five major operating funds (the "Major Operating Funds") - the General Fund, the Police Headquarters Fund, the Police District Fund, the Fire Prevention Fund and the Debt Service Fund - that support the primary operations of the County. The Police Headquarters Fund and the Fire Prevention Fund are special revenue funds with the same tax base as the General Fund. The Police District Fund does not have the same tax base as the General Fund.

The General Fund contains revenues and expenses for all County departments and offices other than the Fire Commission and the Police Department. The County frequently transfers funds between departments and offices in the General Fund to address needs as they arise. Revenues in this fund come primarily from County sales tax collections and a designated portion of the County property tax. Other sources of revenue include departmental fees, permits and licenses and investment income.

The Police Headquarters Fund contains revenues and expenses for services the Police Department provides to all County residents, including crime investigations, ambulance services, traffic safety, highway patrol and administrative/support services. Revenues in this fund come primarily from a designated portion of the County property tax, special taxes, and various fines, permits and fees.

The Police District Fund contains revenues and expenses for the crime prevention services the Police Department’s eight precincts provide to a portion of the County’s residents. Revenues in this fund come primarily from a designated portion of the County property tax and various fines, permits and fees. Of the Major Operating Funds, the Police District Fund is the only one that does not fund County-wide services. Only areas of the County receiving such services pay the Police District property tax.

The Fire Prevention Fund contains revenues and expenses for the Fire Commission, which ensures compliance with County fire safety codes and coordinates the operations of the various local fire districts. Revenues in this fund come primarily from a designated portion of the County property tax and various fees, fines, permits and licenses.

The Debt Service Fund contains all interest and principal payments for the County’s debt obligations, including administrative costs in connection with such borrowings, and accounts for NIFA sales tax set-asides. See “NASSAU COUNTY INTERIM FINANCE AUTHORITY” herein. Because the County charges debt service payments to specific projects in departments, the Debt Service Fund is entirely supported by revenues transferred from other funds.

Revenues

The County derives its revenues from a variety of sources. The largest of these are the sales tax, the property tax, federal and State aid and departmental revenues. Figure 2 shows Major Operating Funds revenues.

FIGURE 2
REVENUES (MAJOR OPERATING FUNDS)

REVENUES CATEGORY	2006	2007	2008	Adopted 2009 Budget	2009 Projections
SALES TAX	\$ 988,035,431	\$1,010,508,507	\$1,000,687,790	\$1,037,778,713	\$962,358,863
PROPERTY TAX	739,575,163	762,485,720	776,248,828	806,073,849	806,073,849
STATE AID	187,799,296	193,583,548	202,687,268	230,340,743	214,760,531
FEDERAL AID	115,189,637	112,112,114	110,045,026	119,325,281	164,320,238
DEPARTMENTAL REVENUES	84,416,802	92,087,472	86,930,037	106,782,732	99,901,068
OTHER REVENUES INTERFUND/INTER- DEPARTMENTAL REVENUES	224,466,606	370,510,796	323,877,637	301,721,645	333,282,316
	<u>431,880,986</u>	<u>322,426,180</u>	<u>343,423,974</u>	<u>406,835,839</u>	<u>402,717,821</u>
TOTAL	\$2,771,363,921	\$2,863,714,337	\$2,843,900,558	\$3,008,858,802	\$2,983,414,685

Note: Sales tax totals reflect collections prior to NIFA set-asides.

Sales Tax

The largest source of revenues for the County in the Major Operating Funds is the sales and compensating use tax (referred to herein as the “sales tax”), which constitutes approximately 41.2% of the total revenues in the 2009 Budget (excluding interdepartmental and interfund revenues). Figure 3 shows budgeted and actual (if available) sales tax revenues compared to budgeted and actual total revenues for

the Major Operating Funds. See “COUNTY FINANCIAL CONDITION - “2009 Gap-Closing Contingency Plan”.

FIGURE 3
BUDGETED AND ACTUAL SALES TAX REVENUES COMPARED TO BUDGETED
AND ACTUAL TOTAL REVENUES
(MAJOR OPERATING FUNDS)

Fiscal Year	<u>Budgeted</u>			<u>Actual</u>		Sales Tax Collected as % of Total Revenues
	Total Revenues	Sales Tax Revenues	Sales Tax as % of Total Revenues	Total Revenues	Sales Tax Collected	
2009	\$2,520,764,724	\$1,037,778,713	41.2%	N/A	N/A	N/A
2008	2,470,011,978	1,042,557,825	42.2%	\$2,425,129,338	\$1,000,687,790	41.3%
2007	2,410,825,867	1,030,913,922	42.8%	2,532,750,189	1,010,508,507	39.9%
2006	2,355,426,962	1,001,790,643	42.5%	2,339,482,935	988,035,431	42.2%
2005	2,368,625,777	964,657,090	40.7%	2,368,937,254	953,816,120	40.3%

Note: Sales tax totals reflect collections prior to NIFA set-asides. All data excludes interdepartmental and interfund revenues.

The County’s sales tax is collected by the State. The total current sales tax rate in the County is 8-5/8%, of which (i) 4-3/8% is the State’s share (including a 3/8% component that is imposed within the Metropolitan Commuter Transportation District pursuant to Section 1109 of the State Tax Law) and (ii) 4-1/4% is the County’s share, out of which the County (a) must allocate a 1/4% component to towns and cities within the County under a local government assistance program established by the County and authorized pursuant to Section 1262-e of the State Tax Law and (b) is authorized to allocate up to a 1/12% component to the villages within the County under a local government assistance program.

The County has enacted legislation to implement a local government assistance program with the villages for its 2009 fiscal year, allocating \$1.25 million of sales tax to the villages. Applicable committees of the County Legislature, however, have approved legislation to eliminate the local government assistance program for villages for 2009. Approval by the full County Legislature is necessary to implement this legislation.

Pursuant to Section 1261 of the State Tax Law, all sales taxes, other than (i) amounts payable to towns, cities and villages in the County pursuant to a local government assistance program established by the County and (ii) amounts which the State Comptroller has reserved for refunds of taxes and the State’s reasonable costs in administering, collecting and distributing such taxes, are paid by the State Comptroller to NIFA as long as NIFA bonds are outstanding. These monies are applied by NIFA in the following order of priority: first pursuant to NIFA’s contracts with bondholders to pay debt service on NIFA notes and bonds, second to pay NIFA’s operating expenses not otherwise provided for, and third pursuant to NIFA’s agreements with the County to the County as frequently as practicable.

The State has recently authorized the County to continue to impose the 4-¼% local sales tax until November 30, 2011, although the County Legislature must still implement this authorization.

The State has, in the past, enacted amendments to the State Tax Law to exempt specified goods and services from the imposition of sales taxes, or to reduce the rate of such taxes on such goods and services. There can be no assurance that future proposals will not result in additional exemptions or reductions.

Real Property Tax

The County’s second largest source of revenues in the Major Operating Funds is the real property tax, which constitutes approximately 32.0% of total revenues in the 2009 Budget (excluding interdepartmental and interfund revenues). The levy of the property tax is at the sole discretion of the County, subject to constitutional and statutory limitations. The County is only at approximately 19.56% of its constitutional tax limit. See “REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Tax Limit” herein. Figure 4 shows property tax levies in the Major Operating Funds.

FIGURE 4
PROPERTY TAX LEVY
(MAJOR OPERATING FUNDS)

Fund	2007 Levy	2008 Levy	2009 Levy
Police District Fund	\$331,639,639	\$332,325,833	\$345,035,890
Police Headquarters Fund	287,070,223	279,632,013	289,073,953
General Fund	123,962,486	145,858,384	156,498,471
Fire Prevention Fund	<u>15,698,706</u>	<u>15,554,824</u>	<u>15,465,535</u>
Total	\$758,371,054	\$773,371,054	\$806,073,849

The 2009-2012 Multi-Year Financial Plan has, as one of its gap closing measures, an increase in the property tax levy of \$4.2 million for the amount generated by the addition to the tax roll of new construction.

The percentage of Major Operating Funds revenues derived from the property tax has varied in recent years depending on the size of the annual property tax levy. Figure 5 shows budgeted and actual (if available) property tax revenues compared to budgeted and actual total revenues for the Major Operating Funds.

FIGURE 5
BUDGETED AND ACTUAL PROPERTY TAX REVENUES
(MAJOR OPERATING FUNDS)

Fiscal Year	<u>Budget</u>			<u>Actual</u>		
	Total Revenue	Property Tax Revenues	Property Tax as % of Total Revenues	Total Revenues	Property Tax Collected	Property Tax Collected as % of Total Revenues
2009	\$2,520,764,724	\$806,073,849	31.98%	N/A	N/A	N/A
2008	2,470,011,978	773,371,054	31.31%	\$2,425,129,338	\$776,248,828	32.01%
2007	2,410,825,867	758,371,054	31.46%	2,532,750,189	762,485,720	30.11%
2006	2,355,426,962	738,711,054	31.36%	2,339,482,935	739,575,163	31.61%
2005	2,368,625,777	738,711,109	31.19%	2,368,937,254	745,914,600	31.49%

Note: All data excludes interdepartmental and interfund transfer revenues.

The County typically collects approximately 97% of its levy in the fiscal year in which it is due. Most of the remaining 3% is collected within two years, as shown in Figure 6.

FIGURE 6
PROPERTY TAX COLLECTIONS VERSUS LEVY
(IN THOUSANDS)
(MAJOR OPERATING FUNDS)

Fiscal Year Beginning	Total Real Property Tax	Uncollected at End of Fiscal Year	Percentage Uncollected at End of Fiscal Year	Uncollected as of May 31, 2009	Percentage Uncollected as of May 31, 2009
January 1, 2009	\$806,074	N/A	N/A	N/A	N/A
January 1, 2008	773,371	\$19,306	2.496%	\$883	0.114%
January 1, 2007	758,371	18,205	2.401%	830	0.109%
January 1, 2006	738,711	19,291	2.611%	615	0.083%
January 1, 2005	738,711	17,046	2.308%	391	0.053%

See “REAL PROPERTY TAX ASSESSMENT AND COLLECTION” herein.

State and Federal Aid

Approximately 13.4% of the total revenues in the 2009 Budget (excluding interdepartmental and interfund revenues) come from federal and State reimbursement mainly for human services and other mandated entitlement programs. Consequently, changes in the amount of County revenues derived from federal and State aid result from the levels of payments in connection with public assistance, day care, foster care, early intervention and special education. Federal and State aid levels also vary from year to year in non-mandated areas, such as State probation aid, State transportation aid and federal reimbursement for housing federal inmates at Nassau County Correctional Center on behalf of the federal government.

Overall, federal and State aid levels have dropped slightly in recent years in some non-mandated areas, such as State probation aid, State transportation aid and federal reimbursement for local correctional center custody of aliens held on behalf of the federal government.

Departmental Revenues

Departmental revenues include a wide variety of receipts generated by County departments, including parks usage fees, inspection fees, registration and licensing fees, data sales and permit fees.

Other Revenues

The remainder of the County's revenues come from several sources, among which are prior-year recoveries, contract disencumbrances, interest and penalties on delinquent taxes, investment income, miscellaneous revenues and special taxes. These include the off-track betting tax, the hotel/motel occupancy tax, the entertainment surcharge and the motor vehicle registration surcharge.

Expenditures

The County charges expenditures to the Major Operating Funds to fund personnel-related costs, Medicaid, other social services entitlement programs, contractual services, debt service and a variety of other expenditures. Figure 7 shows annual expenditures by category.

FIGURE 7
EXPENDITURES BY CATEGORY
(MAJOR OPERATING FUNDS)

EXPENDITURE CATEGORY	2006	2007	2008	Adopted 2009 Budget	2009 Projections
SALARIES & WAGES	\$801,531,668	\$850,523,710	\$840,753,123	\$863,927,328	\$860,334,848
FRINGE BENEFITS	379,118,929	403,805,624	393,413,771	407,470,578	402,636,799
MEDICAID	212,598,284	218,991,351	225,227,469	231,588,243	231,588,243
MEDICAID IGT	1,171,947	0	0	0	0
DSS ENTITLEMENT PROGRAMS	143,307,894	146,071,410	150,846,234	157,880,000	168,430,000
CONTRACTUAL SERVICES	134,540,248	129,142,585	121,876,191	127,546,707	129,362,057
ADMINISTRATIVE EXPENSES	76,675,552	72,679,227	69,405,902	80,140,569	74,699,925
DEBT SERVICE (Interest & Principal)*	145,215,305	122,447,059	106,761,315	121,115,447	114,839,996
LOCALGOVERNMENT ASSISTANCE	59,742,639	60,603,147	60,474,022	62,393,789	56,882,026
MASS TRANSPORTATION	45,902,617	46,933,855	47,581,487	48,565,563	47,865,563
OTHER EXPENSES	363,425,196	466,606,952	482,031,495	501,394,728	496,839,427
INTERFUND/INTERDEPARTMENTAL TRANSFERS	384,163,387	322,133,378	343,423,974	406,835,840	402,666,821
TOTAL	\$2,747,393,666	\$2,839,938,298	\$2,841,794,984	\$3,008,858,802	\$2,986,145,706

* Does not include value of NIFA set-asides which are included in Other Expenses.

Figure 8 shows annual expenditures by fund, excluding interfund and interdepartmental expenses, in the Major Operating Funds.

FIGURE 8
EXPENDITURES BY FUND
(MAJOR OPERATING FUNDS)

Fund	2007	2008	2009 Budget	2009 Projections
GENERAL FUND	\$1,569,234,706	\$1,530,442,588	\$1,617,868,161	\$1,612,090,785
DEBT SERVICE FUND	292,695,316	292,006,903	310,467,051	303,467,791
POLICE DISTRICT FUND	322,405,353	334,883,228	339,610,218	333,543,041
POLICE HEADQUARTERS FUND	315,462,357	321,724,781	315,305,802	319,003,672
FIRE PREVENTION FUND	<u>18,007,187</u>	<u>19,313,511</u>	<u>18,271,730</u>	<u>18,658,979</u>
Total	\$2,517,804,919	\$2,498,371,011	\$2,602,022,963	\$2,586,764,268

Personnel-Related Expenditures

The largest category of expenditures in the Major Operating Funds is for personnel-related costs, including employee earnings and fringe benefits expenses, which comprise approximately 49% of total Major Operating Funds expenditures in the 2009 Budget.

Employee Earnings

Employee earnings include base wages, overtime, termination pay and other payments made to employees. Growth relates primarily to annual step increases and cost of living increases pursuant to collective bargaining agreements (see COUNTY WORKFORCE for details of wage packages and agreements). The County's workforce reduction initiative, which has resulted in a 692-person reduction in the size of the full-time workforce in the Major Operating Funds between January 2002 and July 2009, has partially offset this baseline wage growth since fiscal year 2002, as shown in Figure 9.

FIGURE 9
FULL-TIME EMPLOYEES

Date	Full-Time Employees
January 2002	9,475
July 2009	8,783

Health Insurance Contributions

Currently, the County pays the entire cost of health insurance coverage for all active employees and retirees other than non-union employees hired since January 1, 2002, for whom it pays 90% of the cost for family coverage and 95% of the cost for individual coverage. The vast majority of County employees are enrolled in the State's Empire Plan, though the County offers several other plans to its employees.

Health insurance rates are set by the State with respect to employees enrolled in the Empire Plan. In 2009, the County has experienced a 1.6% health insurance growth rate for active employees (compared to the 7.75% rate incorporated into the 2009 Budget) and a 1.1% health insurance growth rate for retired employees (compared to the 7.75% rate incorporated into the 2009 Budget). Figure 10 displays the growth in County's health insurance costs.

FIGURE 10
HEALTH INSURANCE COSTS

Health Insurance Category	2006	2007	2008	Adopted 2009 Budget	April 2009 Projection
Active Employees	\$101,479,559	\$108,138,677	\$113,409,154	\$126,937,599	\$114,736,185
Retirees	<u>96,089,548</u>	<u>96,680,561</u>	<u>102,926,601</u>	<u>109,885,329</u>	<u>102,933,185</u>
Total Health Insurance	\$197,569,107	\$204,819,238	\$216,335,755	\$236,822,928	\$217,669,370

Pension Contributions

The majority of County employees are members of the New York State and Local Employees' Retirement System (the "ERS"), a defined benefit plan. Sworn County police officers are members of the New York State and Local Police and Fire Retirement System (the "PFRS"), also a defined benefit plan. Faculty members at Nassau Community College ("NCC") have the option, within 30 days of appointment, of choosing between membership in the ERS; the New York State Teachers Retirement System (the "TRS"), a defined benefit plan; and the Teachers Insurance Annuity Association/College Retirement Equities Fund (the "TIAA/CREF"), a defined contribution plan. Personnel employed prior to July 27, 1976, except those selecting the TIAA/CREF option, do not contribute to ERS or TRS, as the County fully funds their pension costs. The Community College Fund is not one of the Major Operating Funds (see "Other Funds" within this section); therefore, employees of NCC are not defined as full-time County employees.

The County is required to make contributions on behalf of its employees into the pension system (employees hired on or after July 27, 1976 who have worked less than ten years are required to contribute 3% of their gross salaries). Its expenses are funded on an actuarial basis determined by the State, and it is assessed on an annual basis for its share of the State retirement system's pension costs. The County's local pension contributions have risen dramatically since fiscal year 2000. In particular, in fiscal year 2000 the County's average contribution was 0.1% of payroll for ERS members and 8.3% for PFRS members. In fiscal year 2009, the contribution rate will average 8.78% of payroll for ERS members and 16.21% for PFRS members. This has resulted in substantial increases in the County's pension costs, as shown in Figure 11.

In 2004, State law was enacted moving the annual payment date for contributions from December 15 of each year to February 1 of the following year. By deferring the pension payment date from December 15 to February 1, the State allowed governments that operate on a calendar year (such as the County) to avoid accruing pension contribution expenses in the 2004 fiscal year, thereby creating – on a budgetary basis – a one-time reprieve from these pension expenses.

The County used \$33.5 million, \$26.4 million, \$24.5 million and \$493,967 of the Retirement Contribution Reserve Fund in 2006, 2007, 2008 and 2009, respectively, to pay part of its 2006, 2007, 2008 and 2009 pension bills from the State. The amount used by the County in 2009 constituted the balance of the Retirement Contribution Reserve Fund. The 2009 Budget projected using \$11 million from the anticipated 2008 surplus, which did not materialize, to pay part of its 2009 pension bills.

FIGURE 11
PENSION COSTS

<u>Pension System</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Adopted 2009 Budget</u>	<u>April 2009 Projection</u>
Employees Retirement System (ERS)	\$37,358,160	\$31,812,324	\$31,295,828	\$29,417,667	\$40,591,611
Police and Fire Retirement System (PFRS)	<u>39,337,656</u>	<u>49,942,580</u>	<u>45,619,445</u>	<u>55,137,764</u>	<u>55,137,764</u>
Total	\$76,695,816	\$81,754,904	\$76,915,273	\$84,555,431	\$95,729,375
Draw from reserve fund	<u>33,458,590</u>	<u>26,400,000</u>	<u>24,500,000</u>	<u>11,493,967</u>	<u>493,967</u>
Total Pension Payment	\$110,154,406	\$108,154,904	\$101,415,273	\$96,049,398	\$96,223,342

Medicaid

Under the Medicaid cap law established in 2006, County expenses are capped at a formula-derived base amount, which is a percentage increase from certain actual 2005 local share expenses, less certain 2005 Medicaid-related revenues (the Medicaid base). The Medicaid base was finalized on June 30, 2006 for all counties in the State.

The County projects that its 2008 Medicaid expenditures, which include the impact of an annual \$14 million Indigent Care payment to NHCC, will be \$225.7 million, increasing to \$231.7 million in 2009. The 2009-2012 Multi-Year Financial Plan reflects Medicaid expenses of \$238.1 million in 2010, \$244.8 in 2011 and \$251.7 million in 2012.

Other Social Services Entitlement Programs

Other County Department of Social Services entitlement programs comprise approximately 6.1% of the 2009 Budget, such as payments for public assistance, foster care, day care and preventive services, the majority of which are partially reimbursed by the federal government or the State. In recent years, this expenditure category has remained relatively flat, primarily due to declining public assistance and day care caseloads and State-mandated rate increases.

Contractual Services

Contractual services total 4.9% of the 2009 Budget. This category covers payments to outside vendors for a variety of services, including community-based human services programming, consulting and legal services.

Debt Service

Debt service expenditures, which include interest and principal payments and NIFA set-asides, total \$333.2 million in the 2009 Budget, and are the third largest category of expenditures in the operating budget. See "COUNTY INDEBTEDNESS AND DEBT LIMITATIONS" herein.

Other Expenses

The remainder of the County's expenditures falls into several categories including: special education; the local government assistance program to cities, towns and villages; mass transportation subsidies; mandated payments to NHCC; and other-than-personal services costs for utilities and administrative expenses.

Other Funds

In addition to the Major Operating Funds, the County allocates revenues and expenditures into several other special revenue funds. Among these are:

The Community College Fund supports the County's financial obligations with respect to NCC, which receives approximately 30% of its operating revenues from a dedicated property tax levied County-wide.

The Sewer and Storm Water Resources District Fund is self-supporting and contains funding for the County's sewage disposal and collection system as well as the storm water resources system. It covers expenses related to County Department of Public Works employees assigned to these functions, associated debt service and other costs.

The Capital Fund contains expenses associated with the County's infrastructure improvement program and bonded judgments and settlements, including property tax refunds. The bulk of revenue supporting the Capital Fund comes from the proceeds of debt issued by or on behalf of the County. A lesser amount originates from non-County sources such as the federal government and the State. Other amounts come from County operating funds.

The County receives outside funding, primarily from the federal government and the State, that completely funds the cost of certain programs, most of which are for health and human services and public safety, which it allocates to the Grant Fund. Because generally accepted accounting principles preclude the County from assuming grant revenues in the budget before receipt is assured, outside reimbursements and expenses are recognized in the Grant Fund by supplemental appropriation only after the fiscal year has started and receipt of the funds is assured.

The Open Space Fund contains revenues generated from County real estate sales, private gifts and grants to preserve undeveloped land in the County.

COUNTY INDEBTEDNESS AND DEBT LIMITATIONS

Computation of County Debt Limit

The Constitutional limit of total indebtedness that can be incurred by the County is 10% of the average full valuation of real estate for the latest five years. See "COUNTY INDEBTEDNESS AND DEBT LIMITATION – Constitutional Provisions." Figure 12 sets forth the debt limit of the County and its debt contracting margin. As shown in Figure 12 the County has substantial additional debt issuance capacity.

Figure 12	
Nassau County	
STATEMENT OF CONSTITUTIONAL DEBT MARGIN	
(as of July 31, 2009)	
(Dollars in Thousands)	
Average Full Valuation of Real Estate for the Fiscal Years Ended in 2005 Through 2009	
2009 Full Valuation	\$268,100,000
2008 Full Valuation	\$261,249,503
2007 Full Valuation	\$244,238,974
2006 Full Valuation	\$212,313,816
2005 Full Valuation	\$193,592,238
	\$1,179,494,531
Average Full Valuation	\$235,898,906
Constitutional Debt Margin:	
Constitutional Limit of Total Indebtedness, 10% Average Full Valuation	\$23,589,891
Outstanding Indebtedness	
General Improvement	\$727,530
NIFA Serial Bonds	1,840,125
Sewer and Storm Water Resources District	92,370
Environmental Facilities Corporation	133,743
Notes	322,000
Real Property Liabilities	7,700
Guarantees	279,565
Contract Liabilities	<u>237,405</u>
Total Outstanding Indebtedness	\$3,640,438
Less: Constitutional Exclusions	
Cash and Investments - Capital Projects Funds	\$77,847
Tax and Revenue Anticipation Notes Payable	322,000
Less: Total Exclusions	\$399,847
Net Outstanding Indebtedness (13.7372%)	\$3,240,591
Constitutional Debt Margin (86.2628%)	\$20,349,300

Bonded Indebtedness

Figure 13 shows outstanding County and NIFA bonds and the purposes for which such debt was issued.

FIGURE 13
BONDED INDEBTEDNESS
(as of July 31, 2009)

General Purposes ¹	
County Debt	\$702,804,445
NIFA Debt	<u>1,789,394,984</u>
Subtotal	\$2,492,199,429
Sewer Districts Purposes ²	
County Debt	\$250,838,055
NIFA Debt	<u>50,730,016</u>
Subtotal	\$301,568,071
Total	\$2,793,767,500

1 Includes debt issued for certain County-wide projects to EFC

2 Includes debt issued for Nassau County Sewer and Storm Water Resources District Purposes to EFC

See the appendices herein for a list of outstanding County and NIFA obligations.

The County has historically funded substantially all of its significant capital expenditures with bond proceeds. It is the County's goal to transition to funding shorter-lived assets with current revenues. Prior to 2006, the County had also funded all of its costs associated with payment of property tax refunds with bonds. See "REAL PROPERTY TAX ASSESSMENT AND COLLECTION – Real Property Assessment – *Administrative Review of Assessments*" and "LITIGATION – Property Tax Litigation" herein. The County intends to transition gradually away from the use of bond proceeds to finance non-property tax refund judgments and settlements. See "LITIGATION" herein.

Figure 14 sets forth the amount of County debt that has been authorized but unissued by purpose.

FIGURE 14
SUMMARY OF BONDS AUTHORIZED BUT UNISSUED
AS OF MAY 31, 2009 (IN THOUSANDS)

Purpose	Amount Authorized but Unissued
Community College	\$ 28,162
Health	68,850
Information Technology	87,434
Infrastructure	358,090
Land Acquisition	48,919
Mass Transportation	64,151
Miscellaneous	21,464
Parks & Recreation	69,685
Public Safety	97,692
Sewer & Storm Water	386,451
Special Equipment	19,891
Property Tax Refunds & Other Judgments & Settlements	<u>74,394</u>
Total	\$ 1,325,183

The authorized amounts in Figure 14 refer to amounts for which the County has adopted ordinances authorizing the issuance of debt for capital projects and other purposes pursuant to the Local Finance Law, but has not yet issued debt pursuant to such authority. Such authorization expires ten years after adoption of the approving bond ordinance if it has not been used, encumbered or rescinded prior to that time. See “CAPITAL PLANNING AND BUDGETING” herein.

Debt Service Requirements

Figure 15, Figure 16 and Figure 17 set forth the principal and interest payments on various categories of outstanding County bonds and NIFA bonds.

FIGURE 15
TOTAL COUNTY AND NIFA DEBT SERVICE
(as of July 31, 2009)

Date	County Bonds ^{1,2}			NIFA Bonds ^{3,4}			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
12/31/2009	\$26,043,000	\$35,462,333	\$61,505,333	\$56,686,250	\$47,035,933	\$103,722,183	\$82,729,250	\$82,498,266	\$165,227,516
12/31/2010	96,580,500	44,614,447	141,194,947	109,525,000	76,667,396	186,192,396	206,105,500	121,281,843	327,387,343
12/31/2011	79,893,500	38,330,519	118,224,019	128,023,333	71,899,818	199,923,151	207,916,833	110,230,337	318,147,171
12/31/2012	56,087,500	34,822,833	90,910,333	146,708,333	66,083,735	212,792,069	202,795,833	100,906,568	303,702,401
12/31/2013	52,129,000	32,240,470	84,369,470	152,926,667	59,229,016	212,155,682	205,055,667	91,469,486	296,525,153
12/31/2014	47,063,000	29,866,272	76,929,272	152,090,000	52,231,248	204,321,248	199,153,000	82,097,521	281,250,521
12/31/2015	46,754,000	27,807,041	74,561,041	140,431,667	45,357,170	185,788,837	187,185,667	73,164,211	260,349,878
12/31/2016	40,451,000	25,758,749	66,209,749	133,050,000	38,961,481	172,011,481	173,501,000	64,720,230	238,221,230
12/31/2017	40,720,000	23,803,990	64,523,990	123,518,333	33,135,877	156,654,210	164,238,333	56,939,867	221,178,200
12/31/2018	40,275,000	21,826,221	62,101,221	119,360,000	27,604,852	146,964,852	159,635,000	49,431,073	209,066,073
12/31/2019	40,818,000	20,413,491	61,231,491	122,945,000	22,420,276	145,365,276	163,763,000	42,833,767	206,596,767
12/31/2020	42,633,000	18,334,575	60,967,575	110,611,667	17,229,539	127,841,206	153,244,667	35,564,114	188,808,781
12/31/2021	43,106,000	16,183,108	59,289,108	88,308,333	12,456,281	100,764,615	131,414,333	28,639,389	160,053,722
12/31/2022	45,134,000	13,998,107	59,132,107	75,753,333	8,521,328	84,274,661	120,887,333	22,519,436	143,406,769
12/31/2023	32,610,000	11,767,221	44,377,221	59,053,333	5,065,882	64,119,215	91,663,333	16,833,103	108,496,437
12/31/2024	29,425,000	10,241,359	39,666,359	40,923,333	2,441,645	43,364,978	70,348,333	12,683,004	83,031,337
12/31/2025	24,980,000	8,839,130	33,819,130	14,566,667	636,738	15,203,405	39,546,667	9,475,868	49,022,535
12/31/2026	23,645,000	7,755,642	31,400,642	0	0	0	23,645,000	7,755,642	31,400,642
12/31/2027	24,660,000	6,694,028	31,354,028	0	0	0	24,660,000	6,694,028	31,354,028
12/31/2028	22,670,000	5,645,945	28,315,945	0	0	0	22,670,000	5,645,945	28,315,945
12/31/2029	13,490,000	4,782,946	18,272,946	0	0	0	13,490,000	4,782,946	18,272,946
12/31/2030	8,340,000	4,249,241	12,589,241	0	0	0	8,340,000	4,249,241	12,589,241
12/31/2031	8,745,000	3,840,935	12,585,935	0	0	0	8,745,000	3,840,935	12,585,935
12/31/2032	9,165,000	3,412,802	12,577,802	0	0	0	9,165,000	3,412,802	12,577,802
12/31/2033	9,615,000	2,956,066	12,571,066	0	0	0	9,615,000	2,956,066	12,571,066
12/31/2034	8,785,000	2,503,568	11,288,568	0	0	0	8,785,000	2,503,568	11,288,568
12/31/2035	8,120,000	2,081,631	10,201,631	0	0	0	8,120,000	2,081,631	10,201,631
12/31/2039	4,735,000	248,588	4,983,588	0	0	0	4,735,000	248,588	4,983,588
12/31/2040	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$953,642,500	\$462,107,172	\$1,415,749,672	\$1,774,481,250	\$586,978,215	\$2,361,459,465	\$2,728,123,750	\$1,049,085,387	\$3,777,209,137

1. Payments under County guarantees in connection with NHCC debt are not included in the chart.
2. Includes debt service payable on the bonds issued to EFC without regard to the subsidy provided by the State. Such subsidy is expected to be at least 33 1/3% of interest for the life of the obligations.
3. Based on a monthly 1/6th interest, 1/12th principal payment basis for a fiscal year ending February 28, and the interest rate on the NIFA 2008 Series A-E variable rate bonds is calculated using the fixed rate swap plus 75 basis points.
4. Total NIFA principal amount is net of the NIFA debt service set asides.

Figure 16
 COUNTY AND NIFA DEBT SERVICE ON SELF-SUPPORTING DEBT ISSUED FOR COUNTY SEWER AND STORM WATER RESOURCES
 PURPOSES
 (as of July 31, 2009)

Date	County Bonds ^{1,2}			NIFA Bonds ³			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
12/31/2009	\$4,028,805	\$11,546,953	\$15,575,758	\$1,693,862	\$1,265,977	\$2,959,839	\$5,722,666	\$12,812,931	\$18,535,597
12/31/2010	24,030,006	12,476,825	36,506,831	3,013,130	2,055,085	5,068,214	27,043,135	14,531,910	41,575,045
12/31/2011	21,205,129	11,093,925	32,299,054	3,246,981	1,919,791	5,166,772	24,452,110	13,013,716	37,465,826
12/31/2012	18,833,238	10,046,034	28,879,273	3,702,624	1,768,995	5,471,619	22,535,862	11,815,029	34,350,891
12/31/2013	16,096,256	9,133,736	25,229,992	3,563,942	1,596,040	5,159,982	19,660,198	10,729,775	30,389,973
12/31/2014	15,471,727	8,317,058	23,788,785	3,573,733	1,438,411	5,012,144	19,045,461	9,755,469	28,800,929
12/31/2015	14,485,884	7,572,327	22,058,211	3,273,348	1,282,927	4,556,275	17,759,231	8,855,254	26,614,486
12/31/2016	11,813,106	6,918,187	18,731,293	3,656,879	1,140,215	4,797,094	15,469,985	8,058,402	23,528,387
12/31/2017	11,021,017	6,340,812	17,361,829	3,579,598	985,369	4,564,966	14,600,615	7,326,181	21,926,795
12/31/2018	10,918,127	5,772,077	16,690,205	3,804,788	829,822	4,634,610	14,722,915	6,601,899	21,324,814
12/31/2019	11,236,956	5,231,930	16,468,887	3,997,267	667,267	4,664,534	15,234,223	5,899,198	21,133,421
12/31/2020	11,702,700	4,617,488	16,320,188	3,511,942	501,746	4,013,688	15,214,642	5,119,234	20,333,876
12/31/2021	10,884,867	3,972,438	14,857,305	2,670,281	353,057	3,023,338	13,555,148	4,325,495	17,880,643
12/31/2022	11,351,010	3,365,562	14,716,572	2,151,702	236,458	2,388,160	13,502,713	3,602,020	17,104,733
12/31/2023	9,258,218	2,759,060	12,017,278	1,758,000	140,416	1,898,415	11,016,218	2,899,475	13,915,693
12/31/2024	8,066,570	2,284,891	10,351,462	1,108,017	63,921	1,171,938	9,174,587	2,348,813	11,523,400
12/31/2025	6,028,692	1,836,946	7,865,638	386,723	16,720	403,443	6,415,415	1,853,667	8,269,081
12/31/2026	3,856,285	1,590,156	5,446,440	0	0	0	3,856,285	1,590,156	5,446,440
12/31/2027	4,009,587	1,406,831	5,416,418	0	0	0	4,009,587	1,406,831	5,416,418
12/31/2028	4,140,873	1,216,841	5,357,714	0	0	0	4,140,873	1,216,841	5,357,714
12/31/2029	3,412,438	1,033,593	4,446,031	0	0	0	3,412,438	1,033,593	4,446,031
12/31/2030	2,756,054	872,962	3,629,016	0	0	0	2,756,054	872,962	3,629,016
12/31/2031	2,878,693	743,853	3,622,546	0	0	0	2,878,693	743,853	3,622,546
12/31/2032	3,006,594	609,036	3,615,630	0	0	0	3,006,594	609,036	3,615,630
12/31/2033	3,140,155	467,918	3,608,073	0	0	0	3,140,155	467,918	3,608,073
12/31/2034	1,979,110	347,256	2,326,366	0	0	0	1,979,110	347,256	2,326,366
12/31/2035	968,460	274,121	1,242,581	0	0	0	968,460	274,121	1,242,581
12/31/2036	1,018,337	223,519	1,241,856	0	0	0	1,018,337	223,519	1,241,856
12/31/2037	1,069,005	170,056	1,239,061	0	0	0	1,069,005	170,056	1,239,061
12/31/2038	1,125,331	113,933	1,239,264	0	0	0	1,125,331	113,933	1,239,264
12/31/2039	1,044,825	54,853	1,099,678	0	0	0	1,044,825	54,853	1,099,678
12/31/2040	0	0	0	0	0	0	0	0	0
Total	\$250,838,055	\$122,411,177	\$373,249,232	\$48,692,815	\$16,262,218	\$64,955,032	\$299,530,870	\$138,673,395	\$438,204,265

1. Payments under County guarantees in connection with NHCC debt are not included in the chart.

2. Includes debt service payable on the bonds issued to EFC without regard to the subsidy provided by the State. Such subsidy is expected to be at least 33 1/3% of interest for the life of the obligations

3. Based on a monthly 1/6th interest, 1/12th principal payment basis for a fiscal year ending February 28, and the interest rate on the NIFA 2008 Series A-E variable rate bonds is calculated using the fixed rate swap plus 75 basis points.

Figure 17
COUNTY AND NIFA DEBT SERVICE ON DEBT ISSUED FOR COUNTY GENERAL PURPOSES
(as of July 31, 2009)

Date	County Bonds ^{1,2}			NIFA Bonds ³			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
12/31/2009	\$22,014,195	\$23,915,380	\$45,929,575	\$54,992,388	\$45,769,956	\$100,762,344	\$77,006,584	\$69,685,336	\$146,691,920
12/31/2010	72,550,494	32,137,622	104,688,116	106,511,870	74,612,311	181,124,181	179,062,365	106,749,933	285,812,297
12/31/2011	58,688,371	27,236,594	85,924,965	124,776,352	69,980,027	194,756,379	183,464,723	97,216,621	280,681,345
12/31/2012	37,254,262	24,776,799	62,031,060	143,005,709	64,314,741	207,320,450	180,259,971	89,091,539	269,351,510
12/31/2013	36,032,744	23,106,735	59,139,479	149,362,725	57,632,976	206,995,700	185,395,469	80,739,711	266,135,179
12/31/2014	31,591,273	21,549,215	53,140,488	148,516,267	50,792,837	199,309,104	180,107,539	72,342,052	252,449,591
12/31/2015	32,268,116	20,234,714	52,502,831	137,158,319	44,074,243	181,232,562	169,426,435	64,308,957	233,735,392
12/31/2016	28,637,894	18,840,561	47,478,455	129,393,121	37,821,266	167,214,388	158,031,015	56,661,828	214,692,843
12/31/2017	29,698,983	17,463,178	47,162,161	119,938,736	32,150,508	152,089,244	149,637,719	49,613,686	199,251,405
12/31/2018	29,356,873	16,054,144	45,411,016	115,555,212	26,775,030	142,330,243	144,912,085	42,829,174	187,741,259
12/31/2019	29,581,044	15,181,561	44,762,604	118,947,733	21,753,008	140,700,742	148,528,777	36,934,569	185,463,346
12/31/2020	30,930,300	13,717,088	44,647,388	107,099,725	16,727,793	123,827,518	138,030,025	30,444,881	168,474,905
12/31/2021	32,221,133	12,210,670	44,431,802	85,638,053	12,103,224	97,741,276	117,859,185	24,313,894	142,173,079
12/31/2022	33,782,990	10,632,545	44,415,535	73,601,631	8,284,870	81,886,501	107,384,621	18,917,415	126,302,036
12/31/2023	23,351,782	9,008,162	32,359,944	57,295,334	4,925,466	62,220,800	80,647,115	13,933,628	94,580,744
12/31/2024	21,358,430	7,956,468	29,314,897	39,815,317	2,377,723	42,193,040	61,173,747	10,334,191	71,507,938
12/31/2025	18,951,308	7,002,184	25,953,492	14,179,944	620,018	14,799,961	33,131,252	7,622,201	40,753,453
12/31/2026	19,788,715	6,165,487	25,954,202	0	0	0	19,788,715	6,165,487	25,954,202
12/31/2027	20,650,413	5,287,197	25,937,610	0	0	0	20,650,413	5,287,197	25,937,610
12/31/2028	18,529,127	4,429,104	22,958,231	0	0	0	18,529,127	4,429,104	22,958,231
12/31/2029	10,077,562	3,749,353	13,826,915	0	0	0	10,077,562	3,749,353	13,826,915
12/31/2030	5,583,946	3,376,279	8,960,224	0	0	0	5,583,946	3,376,279	8,960,224
12/31/2031	5,866,307	3,097,082	8,963,389	0	0	0	5,866,307	3,097,082	8,963,389
12/31/2032	6,158,406	2,803,766	8,962,172	0	0	0	6,158,406	2,803,766	8,962,172
12/31/2033	6,474,845	2,488,148	8,962,993	0	0	0	6,474,845	2,488,148	8,962,993
12/31/2034	6,805,890	2,156,312	8,962,202	0	0	0	6,805,890	2,156,312	8,962,202
12/31/2035	7,151,540	1,807,510	8,959,050	0	0	0	7,151,540	1,807,510	8,959,050
12/31/2036	7,516,663	1,440,994	8,957,656	0	0	0	7,516,663	1,440,994	8,957,656
12/31/2037	7,910,995	1,046,369	8,957,364	0	0	0	7,910,995	1,046,369	8,957,364
12/31/2038	8,329,669	631,042	8,960,711	0	0	0	8,329,669	631,042	8,960,711
12/31/2039	3,690,175	193,734	3,883,909	0	0	0	3,690,175	193,734	3,883,909
12/31/2040	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$702,804,445	\$339,695,994	\$1,042,500,439	\$1,725,788,435	\$570,715,998	\$2,296,504,433	\$2,428,592,880	\$910,411,992	\$3,339,004,872

1. Payments under County guarantees in connection with NHCC debt are not included in the chart.
2. Includes debt service payable on the bonds issued to EFC without regard to the subsidy provided by the State. Such subsidy is expected to be at least 33 1/3% of interest for the life of the obligations
3. Based on a monthly 1/6th interest, 1/12th principal payment basis for a fiscal year ending February 28, and the interest rate on the NIFA 2008 Series A-E variable rate bonds is calculated using the fixed rate swap plus 75 basis points.

Prior to July of 2000, the County's debt issuance policy produced rapidly declining debt service and accelerating principal amortization. These practices produced large debt service payments in the first five to ten years after the bonds were issued. The consistent utilization of these amortization structures created a high near-term debt service burden, which rapidly declined. NIFA has issued debt based on a level annual debt service amortization structure with a 20-year term. This practice creates substantially equal annual payments of debt service for each series of bonds and has effectively extended the weighted average life of the County's total outstanding debt and has created an almost level debt service burden in the future.

The County was involved in completion of a number of interest rate exchange agreements in 2004. During that year, NIFA issued \$600 million in auction rate securities (which were subsequently converted to variable-rate bonds) that were hedged through a series of LIBOR-based interest rate swaps and NHCC, backed by a guaranty by the County (see "NASSAU HEALTH CARE CORPORATION" herein) entered into three LIBOR-based interest rate swaps with a notional amount of \$219.6 million that hedged a like amount of variable rate demand obligations. Though the County is not a counter-party to any of these interest rate exchange agreements, the County's financial position may be affected in certain instances by their performance. The County understands and regularly monitors these risks. See "COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – Swap Policy" and "NASSAU HEALTH CARE CORPORATION – 2004 Refunding" herein.

Refunded Bonds

Various outstanding County serial bond issues have been refunded for present value debt service savings, in addition to County bonds restructured by NIFA. The County anticipates the refinancing of outstanding indebtedness whenever the present value savings of such transactions, taking into account costs of issuance, so warrant, provided that the refinancing opportunity meets the criteria established in the County's debt policy. See "COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – County Financial Management - *Debt Policy*" herein.

Capital Leases

The County has entered into various capital leases, installment sales contracts and lease purchase agreements. Figure 18 shows the future minimum lease payments due on such obligations and the present value of these minimum payments.

FIGURE 18
 MINIMUM LEASE PAYMENTS
 CAPITAL LEASES (IN THOUSANDS)
 (AS OF DECEMBER 31, 2008)

Fiscal Year Ending December 31:	
2009	\$ 757
2010	766
2011	777
2012	787
2013	799
2014-2018	4,172
2019-2023	4,506
2024-2026	<u>1,503</u>
Future Minimum Payments	\$14,067
Less Interest	<u>8,545</u>
Present Value Minimum Lease Payments	\$ 5,522

Short-Term Indebtedness

The County expects from time to time to issue bond anticipation notes (“BANs”), tax anticipation notes (“TANs”) and revenue anticipation notes (“RANs”).

Bond Anticipation Notes

The County utilizes BANs for short-term financing of capital expenditures with the expectation that the principal amount thereof will be refinanced with the proceeds of long-term bonds or repaid with State or federal funds. Figure 19 shows recent and expected issuance of BANs by the County.

FIGURE 19
 SHORT-TERM INDEBTEDNESS
 BOND ANTICIPATION NOTES (in millions)

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009¹</u>	<u>2010¹</u>
\$0.00	\$87.35	\$125.00	\$0.00	\$0.00

¹ Projected

Cash Flow Notes

The County has periodically issued RANs and TANs to fund the County’s short-term cash flow needs. Figure 20 shows recent and expected issuance of RANs and TANs by the County.

FIGURE 20
SHORT-TERM INDEBTEDNESS
CASH FLOW NOTES (in millions)

<u>Obligation</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u> ¹	<u>2010</u> ¹
Revenue Anticipation Notes	\$0.00	\$75.00	\$105.00	\$190.00	\$165.00
Tax Anticipation Notes	<u>\$150.00</u>	<u>\$125.00</u>	<u>\$132.00</u>	<u>\$150.00</u>	<u>\$150.00</u>
Total	\$150.00	\$200.00	\$237.00	\$340.00	\$315.00

¹ Projected

In the 2009-2012 Multi-Year Financial Plan, the County projects that it will continue to undertake one or more cash flow borrowings annually.

Recent and Projected Bond Issuance

The following table shows the County’s recent and projected bond issuances.

FIGURE 21
LONG-TERM INDEBTEDNESS
COUNTY BONDS (IN MILLIONS)

<u>Completed 2009</u>	<u>Remaining 2009</u>	<u>Projected 2010</u>
\$264.00	\$231.00 ¹	\$239.00

¹ Including bonds to finance payment of separation incentives and termination pay to County employees. See “COUNTY FINANCIAL CONDITION – 2009 Gap-Closing Contingency Plan”.

See “CAPITAL PLANNING AND BUDGETING” herein for additional information concerning the County’s projected borrowings.

Constitutional Provisions

Limitations on indebtedness (some of which apply to guarantees by the County of NHCC debt as hereinafter described below under the heading “NASSAU HEALTH CARE CORPORATION”) are found in Article VIII of the State Constitution and are implemented by the Local Finance Law. The provisions of Article VIII referred to in the following summaries are generally applicable to the County and the obligations authorized by its County Legislature. There is no constitutional limitation on the amount that may be raised by the County by tax upon real estate in any fiscal year to pay principal of and interest on County indebtedness.

Article VIII, Section 1

The County shall not give or loan any money or property to or in aid of any individual or private corporation, association or private undertaking nor shall the County give or loan its credit to or in aid of any of the foregoing or a public corporation. This provision does not prevent the County from contracting indebtedness for the purpose of advancing to a town or school district pursuant to law the amount of unpaid taxes returned to the County. Notwithstanding the provisions of Article VIII, Section 1 of the State Constitution, Article 17, Section 7 provides that the State Legislature may authorize a municipality to lend its money or credit to or in aid of any corporation or association, regulated by law as to its charges,

profits, dividends, and disposition of its property or franchises, for the purpose of providing such hospital or other facilities for the prevention, diagnosis or treatment of human disease, pain, injury, disability, deformity or physical condition, and for facilities incidental or appurtenant thereto as may be prescribed by law.

Article VIII, Section 2

The County shall not contract indebtedness except for a County purpose. No such indebtedness shall be contracted for longer than the period of probable usefulness of the purpose or, in the alternative, the weighted average period of probable usefulness of the several purposes, for which it is contracted and in no event may this period exceed forty years. The County must pledge its faith and credit for the payment of the principal of and the interest on any of its indebtedness. Except for certain short-term indebtedness contracted in anticipation of the collection of taxes and indebtedness to be paid within one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, all indebtedness shall be paid in annual installments. Indebtedness must be paid in annual installments commencing not more than two years after the debt was contracted and no installment shall be more than 50% in excess of the smallest prior installment unless the governing body of the County provides for and utilizes substantially level or declining annual debt service payments. Provision shall be made annually by appropriation by the County for the payment of interest on all indebtedness and for the amounts required for the amortization and redemption of serial bonds.

Article VIII, Section 4

The County shall not contract indebtedness which including existing indebtedness shall exceed 10% of the five-year average full valuation of taxable real estate therein. The average full valuation of taxable real estate of the County is determined pursuant to Article VIII, Section 10 of the State Constitution by taking the assessed valuations of taxable real estate on the last completed assessment roll and the four preceding rolls and applying to such rolls the ratio as determined by the State Office of Real Property Services or such other State agency or official as the State Legislature shall direct which such assessed valuation bears to the full valuation. The Local Finance Law requires that the face value of the principal amount of any, or other guarantees by the County of NHCC debt, as executed and delivered, be deemed indebtedness for the purpose of this constitutional provision. See “NASSAU HEALTH CARE CORPORATION” herein. Article VIII, Section 5 and Article VIII, Section 2-a, of the State Constitution enumerate exclusions and deductions from the Constitutional debt limit. Such deductions include indebtedness incurred for water and certain sewer facilities.

Statutory Provisions

Title 8 of the Local Finance Law contains the statutory limitations on the power to contract indebtedness. Section 104.00 limits, in accordance with Article VIII, Section 4 of the Constitution, the ability of the County to contract indebtedness to 10% of the five-year average full valuation of taxable real estate. The statutory provisions implementing constitutional provisions authorizing deductions and excluding indebtedness from the debt limits are found in Title 9 and Title 10 of the Local Finance Law. In addition to the constitutionally enumerated exclusions and deductions, deductions are allowed for cash or appropriations for debt service pursuant to the authority of a decision of the State Court of Appeals. NIFA is not subject to the provisions of the Local Finance Law; however, obligations issued by NIFA on behalf of the County count toward the County’s debt limit.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the power and procedure for the County to borrow and incur indebtedness subject, of course, to the constitutional and statutory provisions set forth above. The power to spend money, however, generally derives from other law, including but not limited to the County Charter and the County Law.

Pursuant to the Local Finance Law, the County Charter and the County Law, the County authorizes the issuance of bonds by the adoption of an ordinance, approved by a super-majority vote of the voting strength of the members of the County Legislature, the finance board of the County. Customarily, the County Legislature has delegated to the County Treasurer, as chief fiscal officer of the County, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds. The Local Finance Law also provides that where a bond ordinance is published with a statutory form of estoppel notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1. such obligations are authorized for a purpose for which the County is not authorized to expend money; or
2. (a) there has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations; and (b) an action, suit, or proceeding contesting such validity, is commenced within twenty days after the date of such publication; or
3. such obligations are authorized in violation of the provisions of the State Constitution.

The County is in compliance with this estoppel procedure as it relates to the Bonds.

Each bond ordinance usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (State Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. Historically, the County has authorized bonds for a variety of County objects or purposes.

The Local Finance Law permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not extend five years beyond the original date of borrowing.

In general, the Local Finance Law also contains provisions providing the County with power to issue certain other short-term general obligation indebtedness including budget notes, capital notes, revenue anticipation notes, and tax anticipation notes.

CAPITAL PLANNING AND BUDGETING

The County Charter requires the County to have a four-year capital plan and an annual capital budget. The Charter sets forth deadlines for the County Executive to submit a proposed capital plan and capital budget to the County Legislature, describes the minimum informational requirements to be contained therein, and contains a schedule and structure for the legislative review, modification and approval process.

Capital Plan(s) and Capital Budget(s)

The County Legislature has approved the capital budget for fiscal year 2009 (as it may be amended from time to time, the “2009 Capital Budget”) and the capital plan for fiscal years 2009-2012 (as it may be amended from time to time, the “2009-2012 Capital Plan”). The 2009 Capital Budget is approximately \$275.4 million, the revenue for which is a combination of long-term debt (or bond anticipation notes) and local, State or federal aid. The amount of such debt projected to be issued by or on behalf of the County for objects or purposes in the 2009 Capital Budget is approximately \$238.8 million. The amount of debt issued by the County each year will vary depending upon capital expenditure requirements. County financings often include prior-year approved capital items. The major components of the 2009 Capital Budget and the 2009-2012 Capital Plan are listed in Figure 22.

FIGURE 22
2009-2012 CAPITAL PLAN

<u>Project Category</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Building Consolidation Program	\$ 9,800,000	\$ 0	\$ 0	\$ 0
Buildings	21,050,000	24,700,000	52,300,000	66,400,000
Environmental Bond Act	75,000,000	0	0	0
Equipment	3,518,625	3,425,000	3,625,000	3,500,000
Infrastructure (including for Nassau Community College)	21,250,000	37,650,000	39,050,000	25,250,000
Judgments and settlements	10,000,000	5,000,000	0	0
Parks	18,400,000	17,850,000	25,300,000	6,650,000
Property	0	1,000,000	1,000,000	1,000,000
Public Safety	17,976,000	25,775,000	15,250,000	21,700,000
Roads	37,450,000	36,901,000	28,760,000	22,500,000
Sewer and Storm Water	34,992,000	31,550,000	29,000,000	28,950,000
Technology	17,205,000	17,885,000	16,780,000	19,900,000
Traffic	5,782,000	11,881,000	11,520,000	0
Transportation	3,027,500	2,728,500	5,368,800	5,257,000
Total	\$275,453,134	\$216,347,510	\$227,955,811	\$201,109,012
Non-debt financed	\$ 36,644,009	\$ 38,523,010	\$ 58,774,011	\$ 32,377,012
Debt financed	\$238,809,125	\$177,824,500	\$169,181,800	\$168,732,000

REAL PROPERTY TAX ASSESSMENT AND COLLECTION

Real Property Assessment

The County Assessor assesses all real property within the County to support the County’s property tax levy and the tax levies for the three towns, all but one of the 56 school districts, and 225 County and town special districts. The County is one of only two county assessing units in the State.

Property Tax Refunds

The County pays refunds of property taxes levied or imposed by the County Legislature, which, in addition to County taxes, includes those of the towns, special districts and all but one of the school districts in the County. Based on a provision of the County Administrative Code, the County does not

charge the cost of such refunds to the towns, special districts and school districts, as would otherwise be required by the State Real Property Tax Law (“RPTL”). See “LITIGATION - Property Tax Litigation” herein. The County is currently challenging the legal basis for reliance on the Code provision as an exception to the RPTL.

Administrative Review of Assessments

Administrative review of assessments in the County is the responsibility of ARC, which is headed by a chairman appointed by the County Executive. During the tentative roll period, corrections of assessments by ARC do not generate refund liability for the County. In addition to its ability to correct the tentative assessment roll, ARC is authorized to resolve administratively the up to three years of pending litigation. See “LITIGATION – Property Tax Litigation” herein.

Real Property Tax Limit

The amount that may be raised by the County tax levy on real estate in any fiscal year for purposes other than for debt service on County indebtedness is limited to two per centum (2.0%) of the average five-year full valuation of real estate of the County in accordance with the provisions of Article VIII of the State Constitution (1-1/2%) and the County Law (additional 1/2%), less certain deductions as prescribed therein. There is no constitutional limitation on the amount that may be raised by the County by tax upon real estate in any fiscal year to pay principal of and interest on County indebtedness.

Figure 23 sets forth the real property taxing limit of the County.

FIGURE 23
 COMPUTATION OF CONSTITUTIONAL TAXING POWER
 (IN THOUSANDS)

<u>Year Roll Completed</u>	<u>Full Valuation^(d) of Real Estate</u>
2009	\$268,100,000
2008	261,249,503
2007	244,238,960
2006	212,313,809
2005	193,592,283
Total	\$1,179,494,555
Five-year average full valuation	\$235,898,911
Tax Limit (2.0%) ^(a)	\$4,717,978
Total Exclusions ^(b)	\$258,117
Total Taxing Power for 2009 Levy	\$4,976,095
Total Levy for 2009 ^(c)	\$973,163
Tax Margin	\$4,002,932
Percentage of Taxing Power Exhausted	19.56%

-
- (a) The State Constitution limits the tax on real estate to one and one-half per centum of the average five-year full valuation, and provides that the State Legislature may prescribe a method to increase this limitation to not to exceed two per centum. The tax limit was raised to two per centum by provisions of the County Law and a resolution adopted by the County Board of Supervisors, predecessor to the County Legislature.
- (b) Interest on and principal of all indebtedness for fiscal year 2009 is excluded from the calculation of real estate taxes limited under the provisions of Article VIII, Section 10 of the State Constitution.
- (c) Includes the tax levies for the General Fund, the Police District Fund, the Police Headquarters Fund, the Fire Prevention Fund, and the Community College Fund.
- (d) Full valuation figures are computed by the State Office of Real Property Services.

Largest Real Property Taxpayers

Figure 24 shows the largest real property taxpayers in the County.

FIGURE 24
LARGEST REAL PROPERTY TAXPAYERS
2009

Taxpayer	Taxable Assessed Value ¹	Taxable Assessed Value (%)
LIPA	\$18,535,056	2.26
KEYSPAN GAS EAST	8,563,611	1.05
VERIZON NEW YORK	6,435,716	0.79
RETAIL PROPERTY TRUST	4,236,960	0.52
REXCORP PLAZA SPE LLC	1,749,379	0.21
GREEN ACRES	1,662,188	0.20
SUNRISE MALL LLC	1,564,222	0.19
RECKSON ASSOCIATION	1,476,661	0.18
BROADWAY MALL EAT II LLC	1,363,258	0.17
LONG ISLAND WATER	1,198,839	0.15
I PARK LAKE SUCCESS LLC	1,134,525	0.14
JERICO QUADS	1,060,334	0.13
W & S ASSOCIATES LP	965,174	0.12
FEIGA-OLIVE TREE/MARCUS AVE LLC	919,463	0.11
ONE_TWO JERICO PLAZA OWNER	822,905	0.10
CALPINE	770,600	0.09
NEW YORK WATER	758,078	0.09
TREELINE FRANKLIN AVE PLAZA LLC	664,443	0.08
1979 MARCUS AVE ASSOCIATES LLC	498,758	0.06
ROSE 711 LLC	406,527	0.05
MASS ONE	395,658	0.05
ASSOCIATED BROOK INC	386,739	0.05
TREELINE 1 OCR LLC	370,500	0.05
CAF REALTY LLC	316,249	0.04
NASSAU MALL PLAZA ASSOC	279,720	0.03
TOTAL (Top 25)	\$56,535,563	6.90
TOTAL TAX BASE	\$818,797,615	100.00

¹ The amounts reflect a level of assessment of 1% of full value.

Collection

County, Town and Special District Taxes

General taxes are billed on January 1 for the fiscal year January 1 through December 31, with semi-annual payments due by February 10 and August 10. Unpaid general taxes become delinquent on March 1 and September 1, respectively. Tax statements are mailed and taxes are collected by the receivers of taxes for each of the three towns and the two cities within the County. General taxes include taxes for the County, towns, special districts, and any other special assessments.

The receivers of taxes take the total tax proceeds they collect, deduct the amount of the levies for town and special districts and any other special assessments and then pay the difference to the County. Thus any shortfall in the collection of general taxes is borne by the County. See “*Delinquency Procedure*” within this section.

The receivers of taxes are required to pay to the County Treasurer on the fifteenth day of each month all County taxes they have collected prior to the first day of such month.

School District Taxes

School taxes for the school fiscal year of July 1 through June 30 are billed on October 1, with semi-annual payments due by November 10 and May 10. Unpaid school taxes become delinquent on December 1 and June 1, respectively.

Uncollected taxes are returned by the town receivers to the County after December 1 and June 1. The County pays the school districts the amounts billed and uncollected by the receivers. See “*Delinquency Procedure*” within this section. This procedure covers all but one of the school districts in the County.

The County is authorized to pay monies due to the school districts from funds on hand or may borrow monies for such purpose pursuant to the provisions of the Local Finance Law.

Delinquency Procedure

In the event taxes are not paid when due, the following occurs:

(a) General taxes due on January 1 and not paid by February 10 or August 10 are charged a 2% penalty. During the “late periods” of February 11 through February 28 and August 11 through August 31, principal and the 2% penalty may be paid at the town or city. If payment is made during this “late period,” the town or city keeps the 2% penalty. After the late period, commencing September 1, payments may be made only to the County and the County pays the town or city the unpaid principal amount of taxes collectible by each respective receiver for towns, special districts and special assessments.

On September 1, the County imposes a 5% penalty on the total amount then due (the original principal plus the 2% penalty), and a \$90 listing fee. Thereafter, a 1% compounded penalty is imposed on the first day of each subsequent month on the total amount then owing. For example, after August 31, if unpaid, the amount owed is principal plus the 2% penalty plus 5% of that total, plus 1% interest compounded per month, plus \$90. On April 1, another 1% of that total amount is added to the balance owed.

After the third Monday in December, an advertising fee of \$90 is imposed in addition to all other fees; this compensates the County for advertising the uncollected tax receivable which will be offered for sale at a tax lien auction in the subsequent February.

(b) School taxes due on October 1 and not paid by November 10 or May 10 are charged a 2% penalty. During the “late periods” of November 11 through November 30 and May 11 through May 31, principal and the 2% penalty may be paid at the town or city. If payment is made during this “late period,” the town or city keeps the 2% penalty. After the late period, commencing June 1, payments may

be made only to the County and the County pays the school districts the unpaid principal amount of their taxes.

On June 1, the County imposes a 5% penalty on the total amount then due (the original principal plus the 2% penalty) and a \$90 listing fee. Thereafter, a 1% compounded penalty is imposed on the first day of each subsequent month on the total amount then owing. For example, after May 31, if unpaid, the amount owed is principal plus the 2% penalty, plus 5% of that total, plus 1% interest compounded per month, plus \$90.

After the third Monday in December, an advertising fee of \$90 is imposed in addition to all other fees; this compensates the County for advertising the uncollected tax receivable which will be offered for sale at a tax lien auction in the subsequent February.

(c) The County holds an annual tax lien sale. This sale commences on the third Tuesday of each February. The taxpayer is charged an additional statutory 10% interest per each six month period, for a maximum of 24 months if he pays his taxes after the tax lien sale. The liens are sold at public auction to a bidder offering to accept the lowest rate of interest; bidding begins at 10% and moves downward. The most desirable properties have their liens purchased for less than 10% interest because the property owners will likely pay off their taxes quickly to avoid losing their property to foreclosure. The successful bidder only receives the amount bid, for example 4%. The differential, in this case 6%, accrues to the County. Uncollected tax receivables which are not sold at auction become tax liens owned by the County at the highest rate (10%).

Successful bidders at the time of sale are required to deposit with the County Treasurer 10% of the amount of the tax lien (the total amount owed to the County the day of the lien sale) and the remaining 90% within thirty days of the sale. The holder of a tax lien for a property other than those classified as Class One or as a Class Two condominium pursuant to section 1802 of the RPTL, if it has not been satisfied within 24 months of the sale date, may obtain a deed of conveyance from the County Treasurer or foreclose his tax lien. The holder of a tax lien for a property classified as Class One or as a Class Two condominium pursuant to section 1802 of the RPTL, if it has not been satisfied within 24 months of the sale date, may commence a foreclosure action provided the property owner has not been granted a one-year extension, which may be renewed, through hardship designation, or provided that the property owner has not been granted a 24-month extension through an alternate designation on all said liens sold on or before June 30, 1994.

The County Treasurer has at times sold groups of County owned tax liens in bulk.

NASSAU HEALTH CARE CORPORATION

Nassau Health Care Corporation (“NHCC”) is a public benefit corporation that provides health care primarily to the County’s uninsured and underinsured population. Pursuant to State authorizing legislation (hereinafter referred to as the “NHCC Act”), the County transferred its hospital, nursing home and health centers and clinics to NHCC effective September 29, 1999 as provided in the Acquisition Agreement between the County and NHCC dated as of September 24, 1999. The County and NHCC subsequently entered into the Stabilization Agreement dated as of September 22, 2004 in order to stabilize the financial condition of NHCC. The County and NHCC then entered into the Successor Agreement dated as of November 1, 2007 to clarify the relationship between the parties. The NHCC Act also permits the County (i) to enter into contracts with NHCC for services; (ii) to appropriate sums of money to defray NHCC’s project costs or other expenses; (iii) to lend its money or credit to NHCC; and (iv) to issue County notes and bonds for NHCC objects or purposes.

Under the NHCC Act, NHCC is governed by a board of fifteen directors, eight of whom are appointed by the Governor (two on recommendation of the County Executive, three on recommendation of the majority leader of the County Legislature, one on recommendation of the minority leader of the County Legislature, one on recommendation of the Speaker of the State Assembly and one on recommendation of the Temporary President of the State Senate), four by the County Legislature and three by the County Executive.

County-guaranteed NHCC bonds

NHCC issued \$259,734,845.44 of its Series 1999 bonds on September 29, 1999, which bonds were guaranteed by the County. The proceeds of the Series 1999 bonds were used to fund the acquisition price, working capital, reserves, capitalized interest and cost of issuance.

On October 14, 2004, NHCC issued \$303,355,000 of its Series 2004 bonds, and used a portion of the proceeds of such bonds, together with other available funds (including the release of reserve funds), to refund the Series 1999 Bonds. At that time, the County ceased to be obligated under its guaranty of the Series 1999 bonds. The County provided a guaranty on said Series 2004 bonds.

There were three components to the Series 2004 bonds: approximately \$18.3 million in tax-exempt fixed-rate bonds; approximately \$65.5 million of taxable auction rate bonds; and approximately \$219.6 million in synthetic fixed-rate debt, in which tax-exempt variable rate bonds were hedged with a percentage of LIBOR swap. Approximately \$39.7 million of the auction rate bonds were defeased in July 2008 and the balance of such auction rate bonds were converted to variable rate.

As a result of higher than expected remarketing rates for the Series 2004 variable rate bonds, NHCC issued its Series 2009 A bonds and Series 2009 B, C and D bonds on April 8, 2009 and April 28, 2009, respectively, to refund all of the outstanding Series 2004 variable rate bonds. The Series 2009 A bonds and Series 2009 B, C and D bonds are variable rate bonds secured by letters of credit. The County has also provided a guaranty on such bonds.

LIBOR-based interest rate swaps carry certain risks. See “COUNTY INDEBTEDNESS AND DEBT LIMITATIONS – Debt Service Requirements” and “COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – County Financial Management - *Swap Policy*” herein. The Successor Agreement provides that the County offset all debt service related payments, including payments to swap counterparties, against any payments it makes to NHCC.

SEWER AND STORM WATER RESOURCES SERVICES

Nassau County Sewer and Storm Water Finance Authority

The Nassau County Sewer and Storm Water Finance Authority (the “SSWFA”) exercises its powers through a seven-member governing board appointed by the County Executive. The presiding officer and the minority leader of the County Legislature each nominate two of the appointees, and the County Comptroller nominates one of the appointees. Vote by a supermajority of the SSWFA board is required to approve all borrowing and to approve contracts for more than \$50,000.

The SSWFA is not authorized to hire employees. Also, by its terms, the SSWFA enabling legislation is not intended to alter or modify the County's responsibility to provide sewerage services and storm water services. As a result, County employees continue to operate and maintain all County sewer and storm water resources facilities. In addition, the legislation prohibits the County from transferring to the SSWFA any real property upon which County sewer or storm water resources facilities are located. Further, the SSWFA is a Covered Organization under the NIFA Act. See "MONITORING AND OVERSIGHT – External – *NIFA*" herein.

The SSWFA became operational in 2004 and entered into a financing and acquisition agreement with the County establishing the respective rights and obligations of the parties with respect to the terms of SSWFA financing, including the transfer of County sewer and storm water resources assets to the SSWFA as part of such financing. Pursuant to the County Charter, the County Legislature approved the financing and acquisition agreement in 2004. The SSWFA began issuing debt in 2004.

Nassau County Sewer and Storm Water Resources District

Upon the affirmative vote of the County Legislature in 2003, the County's prior 27 sewage collection and three sewage disposal districts (the "Prior Districts") were abolished, dissolved and merged into the Nassau County Sewer and Storm Water Resources District (the "District"). At such time, all of the rights, privileges, duties, responsibilities and obligations of the Prior Districts became the rights, privileges, duties, responsibilities and obligations of the District. The County budget adopted for each fiscal year contains a separate section for the District and is thus subject to the approval of the County Legislature.

Upon dissolution of the Prior Districts, such districts' fund balance was transferred to the SSWFA for the limited purposes of supporting necessary capital investments, debt service, debt service-related expenses and reserve requirements in a manner consistent with the rate stabilization program contained in the legislation creating the District.

The County annually assesses, levies and collects from the several lots and parcels of land within the District, the expenses of the District, including the annual amount needed to pay the remaining principal of and interest on debt issued by the County, or by NIFA on the County's behalf, or both, that were charged to the Prior Districts, and any amounts needed to pay to the SSWFA the cost of any services, including but not limited to financing and refinancing, provided by the SSWFA to the District by agreement between the SSWFA and the County. Assessments levied pursuant to the provisions of the legislation are collected by each city and town receiver of taxes in the County, and required to be maintained in a segregated account until distributed to the County or its designee as directed by the County. The County has directed each receiver of taxes to distribute such assessments to the SSWFA or its designee. The enabling legislation also establishes a framework for the transition to uniform assessments for recipients of sewer and storm water resources services in the County. Previously, the County had maintained separate budgets on behalf of each of the Prior Districts and levied separate assessments on behalf of each. Pursuant to the legislation the District is divided into zones of assessment that mirror the boundaries of the Prior Districts, except for certain areas that were not receiving sewerage services, which are now excluded. Through 2007, assessments for sewerage services could not exceed the 2003 level for their respective Prior Districts, and no separate assessment for storm water resources services could be assessed until after 2007. Between 2007 and the end of 2013, the legislation requires that the County transition to three zones of assessment: one zone of assessment for areas of the District receiving storm water resources services, one zone of assessment for areas of the District receiving sewage collection and disposal services, and one zone of assessment for areas of the District receiving sewage disposal, but not sewage collection, services.

LITIGATION

The County, its officers and employees are defendants in a number of lawsuits. Such litigation includes, but is not limited to, actions commenced and claims asserted against the County arising out of alleged torts, civil rights violations, breaches of contracts including union and employee disputes, condemnation proceedings, medical malpractice actions and other alleged violations of law. The County intends to defend itself vigorously against all claims and actions.

The County self-insures for all significant risks (everything except helicopter accidents and employee bonding). See “COUNTY GOVERNMENT AND FINANCIAL MANAGEMENT – County Financial Management – *Risk Management*” herein. The County annually appropriates sums for the payment of judgments and settlements relating to such actions, which appropriations may be financed, in whole or in part, pursuant to the Local Finance Law by the issuance of County bonds or bond anticipation notes. Estimated liabilities of approximately \$225 million for settlement of litigation and malpractice claims (excluding tax certiorari claims) were recorded as a long-term liability in the County’s government-wide financial statement of net assets at December 31, 2008 and 2007. Approximately \$248.9 and \$124.2 million has been accrued as a liability at December 31, 2008 and 2007, respectively, related to workers’ compensation claims where the County Attorney can reasonably estimate the ultimate outcome. In 2008 the methodology used to estimate the long-term liability for workers’ compensation claims was changed from valuations discounted by 6% (compounded) to full values. The liability for certain other asserted and unasserted malpractice claims could not be estimated as of December 31, 2008. All malpractice occurrences prior to September 29, 1999 are the responsibility of the County; subsequent malpractice occurrences in connection with NHCC are the responsibility of NHCC. Such amounts are only estimates, and no assurance can be given that additional claims will not be made or that the ultimate liability on existing and future claims will not be greater.

The County is a party to numerous claims and legal actions for refunds of real property taxes asserted by taxpayers seeking review of their assessed valuations. See “Property Tax Litigation – *Challenges to Assessed Valuations*” within this section.

Property Tax Litigation

Challenges to Assessed Valuations

The County is a party to numerous claims and legal actions for refunds of real property taxes asserted by taxpayers seeking review of assessed valuations. The County intends to defend itself vigorously against all such claims and actions.

The amount expended for all such claims in each of the fiscal years 2004 to 2008, inclusive, is shown below (in millions):

2008.....	\$ 98.8
2007.....	87.1
2006.....	70.5
2005.....	250.7
2004.....	184.0

The County’s estimate of long-term liability, as of December 31, 2008, was \$139 million for estimated future property tax settlements and judgments. The 2008 estimate represents an increase over the 2007 audited estimate of \$102 million. The increase is attributable to a modification in the methodology used to determine long-term liability. This modification included certain items in the liability estimate that, in past years, were excluded. History has shown that some of these past exclusions

may have underestimated liability. The 2009 Budget includes \$50,000,000 in operating funds for tax refunds and cancellations. In 2007, the number of judgments and settlements in court cases accelerated and this increased activity is expected to continue in 2009. Another factor which increased activity is the enhanced coordination efforts between ARC and the County Attorney's office. This has led to more settlements being reached sooner. This is a positive development in that it should allow the County to reduce its liability backlog and its interest expenses going forward. As a result of this increased activity, the County recognized that the budgeted amount would not cover its 2008 refund expenses. In December 2008, the County borrowed \$48,000,000 for the payment of claims in fiscal years 2008 and later in excess of budgeted amounts.

No assurance can be given as to the County's ultimate liability on existing and future refund claims. Furthermore, these amounts do not include litigation relating to real estate taxation other than challenges to assessed property valuations. For a discussion of such other litigation, see "Other Pending Property Tax Litigation" within this section.

Other Pending Property Tax Litigation

New York Telephone Company, New York Water Service Corporation, Long Island Water Corporation and Keyspan (the "Utilities") have each filed actions and proceedings in the State Supreme Court, Nassau County, challenging the determination of their taxes in 1997, 1998, 1999, and 2000 in the non-County-wide special districts such as police, fire, water and library districts. The Utilities allege that the County erroneously placed all parcels in classes pursuant to the RPTL in calculating their assessed values for the payment of special district taxes. The Supreme Court, Nassau County declared that the assessments violated the RPTL and constitutional requirements of equal protection. The court directed that discovery be conducted and a trial held to determine the amount of tax refunds, if any, to be awarded to the Utilities. The Appellate Division, Second Department, in 2002 determined that the County has violated the RPTL, but granted the County summary judgment dismissing the complaints on the grounds that no refunds should be awarded because of the fiscal impact on the special districts. In 2004 the Court of Appeals remitted the case to the Supreme Court for a trial on both the amount of the refunds due and whether those damages would have such an adverse impact on the County that no refunds should be ordered. The County moved for partial summary judgment on the methodology for calculating the refunds and the trial Court decided the motion against the County. The County moved to dismiss all claims and the trial court ruled against the County. The County has also moved to dismiss the separate but related proceedings brought by Keyspan alleging the same violations of the RPTL. The County intends to continue to defend itself vigorously in these actions and proceedings. It is not possible to predict the outcome of these actions and proceedings or their ultimate impact on the County's financial condition. The County cannot state with certainty the amount of a refund if the court were to order one, but has estimated, depending on the methodology of calculation, that such refund could be as high as \$200 million.

Other Litigation

In *Restivo et al. v. County of Nassau, et al.* and *Kogut v. County of Nassau, et al.*, plaintiffs are suing in their own behalf for compensatory and punitive damages arising out of their 1985 arrests and 1986 convictions in the rape and murder of Theresa Fusco. In 2003 the County District Attorney's Office joined plaintiffs' (then defendant's) counsel in a motion to vacate the judgment of conviction against them because DNA technology disclosed that John Kogut, John Restivo and Dennis Halstead were not the sources of the DNA found in the victim's body. Based upon Mr. Kogut's prior confession, he was retried in 2005. After a bench trial, the County Court Judge acquitted Mr. Kogut. Shortly thereafter, the indictment against Mr. Restivo and Mr. Halstead was dismissed. The County filed motions to dismiss the respective actions which are now pending before the U.S. District Court. Because discovery is not stayed,

discovery has been proceeding. The County will continue to defend itself vigorously in these proceedings. It is not possible to predict the outcome of these actions and proceedings or their ultimate impact on the County's financial condition.

With the exception of the litigation discussed above, based on historical precedent, no litigation is pending by or against the County which will be finally determined so as to result individually or in the aggregate in final judgments against the County which would materially adversely affect the financial condition of the County.

TAX RATES

Figures 25 and 26 show County tax rates. The tables do not include local, town, city, school, village or special district tax rates for the respective political subdivisions in the County.

FIGURE 25
GENERAL COUNTY TAX RATES
COUNTY-WIDE PURPOSES BY FUND AND CLASS (I-IV)
PER \$100 OF ASSESSED VALUATION - FISCAL YEAR BEGINNING AS SHOWN

			<u>Town of Hempstead</u>			<u>Town of North Hempstead</u>					<u>Town of Oyster Bay</u>				
	1/1/2009	1/1/2008	1/1/2007	1/1/2006	1/1/2005	1/1/2009	1/1/2008	1/1/2007	1/1/2006	1/1/2005	1/1/2009	1/1/2008	1/1/2007	1/1/2006	1/1/2005
General County (a)															
I	22.067	21.106	18.965	6.092	4.897	22.067	21.108	18.968	6.094	4.919	22.068	21.100	18.961	6.092	4.915
II	15.777	17.577	15.990	13.049	22.348	15.776	17.578	15.993	13.050	22.370	15.778	17.570	15.986	13.048	22.366
III	23.256	22.340	19.896	18.352	29.041	23.256	22.342	19.898	18.354	29.064	23.257	22.333	19.892	18.352	29.059
IV	13.731	14.559	14.085	12.239	19.076	13.730	14.561	14.088	12.241	19.098	13.732	14.553	14.081	12.238	19.094
Community College															
I	6.911	6.852	6.957	3.908	2.259	6.911	6.852	6.957	3.908	2.259	6.911	6.852	6.957	3.908	2.259
II	5.463	6.034	6.212	6.105	6.685	5.463	6.034	6.212	6.105	6.685	5.463	6.034	6.212	6.105	6.685
III	7.184	7.138	7.190	7.781	8.382	7.184	7.138	7.190	7.781	8.382	7.184	7.138	7.190	7.781	8.382
IV	4.992	5.334	5.734	5.850	5.855	4.992	5.334	5.734	5.850	5.855	4.992	5.334	5.734	5.850	5.855
Police Headquarters															
I	38.662	38.532	41.706	21.873	12.867	38.662	38.532	41.706	21.873	12.867	38.662	38.532	41.706	21.873	12.867
II	30.560	33.931	37.238	34.172	38.073	30.560	33.931	37.238	34.172	38.073	30.560	33.931	37.238	34.172	38.073
III	40.194	40.140	43.103	43.550	47.740	40.194	40.140	43.103	43.550	47.740	40.194	40.140	43.103	43.550	47.740
IV	27.924	29.997	34.377	32.740	33.347	27.924	29.997	34.377	32.740	33.347	27.924	29.997	34.377	32.740	33.347
Fire Prevention															
I	2.088	2.162	2.300	1.352	0.791	2.088	2.162	2.300	1.352	0.791	2.088	2.162	2.300	1.352	0.791
II	1.650	1.904	2.054	2.112	2.339	1.650	1.904	2.054	2.112	2.339	1.650	1.904	2.054	2.112	2.339
III	2.171	2.252	2.377	2.692	2.933	2.171	2.252	2.377	2.692	2.933	2.171	2.252	2.377	2.692	2.933
IV	1.508	1.683	1.896	2.024	2.049	1.508	1.683	1.896	2.024	2.049	1.508	1.683	1.896	2.024	2.049
County Parks															
I				4.596	2.599				4.596	2.599				4.596	2.599
II	Part of General County for 2009	Part of General County for 2008	Part of General County for 2007	7.180	7.691	Part of General County for 2009	Part of General County for 2008	Part of General County for 2007	7.180	7.691	Part of General County for 2009	Part of General County for 2008	Part of General County for 2007	7.180	7.691
III				9.150	9.643				9.150	9.643				9.150	9.643
IV				6.879	6.736				6.879	6.736				6.879	6.736
Environmental Bond															
I	0.678	1.042	0.631			0.678	1.042	0.631			0.678	1.042	0.631		
II	0.536	0.918	0.564			0.536	0.918	0.564			0.536	0.918	0.564		
III	0.705	1.085	0.652	Not Levied for 2006	Not Levied for 2005	0.705	1.085	0.652	Not Levied for 2006	Not Levied for 2005	0.705	1.085	0.652	Not Levied for 2006	Not Levied for 2005
IV	0.49	0.811	0.520			0.49	0.811	0.520			0.49	0.811	0.520		

(a) The County Legislature determines the general County tax rate for each of the towns and cities in the County after allocation of certain sales and compensating use tax revenues in the County.

FIGURE 26

GENERAL COUNTY TAX RATES
COUNTY-WIDE PURPOSES, BY FUND AND CLASS (I-IV)

PER \$100 OF ASSESSED VALUATION - FISCAL YEAR BEGINNING AS SHOWN

	<u>City of Glen Cove</u>					<u>City of Long Beach</u>				
	1/1/2009	1/1/2008	1/1/2007	1/1/2006	1/1/2005	1/1/2009	1/1/2008	1/1/2007	1/1/2006	1/1/2005
General County (a)										
I	22.085	21.125	18.979	6.120	4.890	30.000	29.545	27.766	12.367	8.904
II	15.795	17.595	16.004	13.076	22.341	23.709	26.015	24.792	19.324	26.355
III	23.274	22.358	19.909	18.380	29.035	31.189	30.779	28.697	24.627	33.048
IV	13.748	14.578	14.099	12.266	19.069	21.663	22.998	22.887	18.514	23.083
Community College										
I	6.911	6.852	6.957	3.908	2.259	6.911	6.852	6.957	3.908	2.259
II	5.463	6.034	6.212	6.105	6.685	5.463	6.034	6.212	6.105	6.685
III	7.184	7.138	7.190	7.781	8.382	7.184	7.138	7.190	7.781	8.382
IV	4.992	5.334	5.734	5.850	5.855	4.992	5.334	5.734	5.850	5.855
Police Headquarters										
I	38.662	38.532	41.706	21.873	12.867	38.662	38.532	41.706	21.873	12.867
II	30.560	33.931	37.238	34.172	38.073	30.560	33.931	37.238	34.172	38.073
III	40.194	40.140	43.103	43.550	47.740	40.194	40.140	43.103	43.550	47.740
IV	27.924	29.997	34.377	32.740	33.347	27.924	29.997	34.377	32.740	33.347
Fire Prevention										
I	2.088	2.162	2.300	1.352	0.791	2.088	2.162	2.300	1.352	0.791
II	1.650	1.904	2.054	2.112	2.339	1.650	1.904	2.054	2.112	2.339
III	2.171	2.252	2.377	2.692	2.933	2.171	2.252	2.377	2.692	2.933
IV	1.508	1.683	1.896	2.024	2.049	1.508	1.683	1.896	2.024	2.049
County Parks										
I				4.596	2.599				4.596	2.599
II	Part of General County for 2009	Part of General County for 2008	Part of General County for 2007	7.180	7.691	Part of General County for 2009	Part of General County for 2008	Part of General County for 2007	7.180	7.691
III				9.150	9.643				9.150	9.643
IV				6.879	6.736				6.879	6.736
Environmental Bond										
I	0.678	1.042	0.631			0.678	1.042	0.631		
II	0.536	0.918	0.564			0.536	0.918	0.564		
III	0.705	1.085	0.652	Not Levied for 2006	Not Levied for 2005	0.705	1.085	0.652	Not Levied for 2006	Not Levied for 2005
IV	0.49	0.811	0.520			0.49	0.811	0.520		

(a) The County Legislature determines the general County tax rate for each of the towns and cities in the County after allocation of certain sales and compensating use tax revenues in the County.

Figure 27 shows tax rates for special districts in the County. Beginning in 2004, County sewage collection and disposal districts became zones of assessment within the consolidated Nassau County Sewer and Storm Water Resources District.

FIGURE 27
 TAX RATES FOR SPECIAL DISTRICTS/ZONES OF ASSESSMENT
 BY FUND AND CLASS (I-IV)
 PER \$100 OF ASSESSED VALUATION-FISCAL YEAR BEGINNING AS SHOWN

	1/1/2009	1/1/2008	1/1/2007	1/1/2006	1/1/2005
Police District					
I	49.561	49.521	52.412	31.048	17.691
II	49.182	50.476	55.049	56.928	53.867
III	138.637	146.549	160.156	190.842	175.221
IV	55.504	55.626	61.009	61.735	57.307
Sewage Districts:					
Disposal District No. 1					
I	12.212	12.212	19.886	11.799	7.452
II	3.280	6.031	10.143	11.595	12.165
III	47.926	41.085	64.429	68.839	75.988
IV	13.866	13.195	22.663	22.945	22.854
Disposal District No. 2					
I	12.212	12.212	14.173	10.403	6.333
II	119.480	12.200	14.833	18.736	18.706
III	34.658	36.365	44.280	63.771	62.612
IV	13.846	13.987	16.855	21.077	21.101
Disposal District No. 3					
I	12.212	12.212	15.177	8.852	5.499
II	11.913	12.075	15.392	15.793	16.232
III	33.197	36.120	45.809	50.649	52.052
IV	13.243	13.118	16.901	16.893	16.898
Collection District No. 1					
I	5.204	5.204	19.578	14.206	8.972
II	1.398	2.571	9.985	13.959	14.646
III	20.423	17.509	63.428	82.880	91.487
IV	5.909	5.623	22.311	27.625	27.515
Collection District No. 2^(a)					
I	4.648	3.779	6.605	4.756	2.904
II	4.879	4.096	7.278	9.604	9.725
III	12.746	11.429	22.395	30.294	29.203
IV	4.941	4.051	5.819	6.950	6.617
Collection District No. 3^(a)					
I	5.204	4.832	5.999	5.289	3.278
II	5.194	4.992	6.069	9.507	9.564
III	14.425	14.681	18.494	30.908	31.525
IV	5.886	5.389	7.008	10.635	10.635

^(a) Rate shown is the average rate of all former districts/zones of assessment within each listed district.

Property Tax Levies

Figure 28 below lists the percentage of the total tax levy of all political subdivisions (by category) that real property taxes bear in relation to each other.

FIGURE 28
COUNTY OF NASSAU, NEW YORK
PROPERTY TAX LEVIES
COUNTY, TOWN, CITY, VILLAGE GOVERNMENTS AND SPECIAL DISTRICTS
2004 THROUGH 2007
(\$ IN THOUSANDS)

	2007		2006		2005		2004	
	Tax Levy	% of Total						
Nassau County Government	\$806,752	15.59%	\$785,257	15.76%	\$783,512	16.41%	\$781,828	17.50%
Environmental Bond Act	4,128	0.08%	0	0.00%	0	2.91%	0	3.11%
Sewer & Storm Water Consolidated	118,932	2.30%	138,932	2.79%	138,932	2.91%	138,932	3.11%
Sewer Collection	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Sewer Disposal	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Town & City Governments	220,779	4.27%	206,090	4.14%	208,654	4.37%	183,267	4.10%
Incorporated Villages	367,733	7.11%	367,408	7.37%	344,668	7.22%	330,851	7.41%
School Districts	3,167,626	61.20%	3,010,688	60.43%	2,833,955	59.34%	2,618,054	58.60%
Special Districts:								
Fire	96,001	1.85%	97,873	1.96%	88,558	1.85%	84,143	1.88%
Fire Protection	16,882	0.33%	15,853	0.32%	15,292	0.32%	14,239	0.32%
Garbage, Refuse & Sanitary	201,869	3.90%	191,776	3.85%	174,235	3.65%	169,131	3.79%
Lighting	15,358	0.30%	14,525	0.29%	14,194	0.30%	12,643	0.28%
Park	67,036	1.30%	64,291	1.29%	80,837	1.69%	54,730	1.23%
Parking & Improvement	43,807	0.85%	42,116	0.85%	49,159	1.03%	38,582	0.86%
Sewer Special	13,776	0.27%	12,866	0.26%	12,015	0.25%	11,501	0.26%
Water	34,975	0.68%	34,295	0.69%	31,739	0.66%	29,405	0.66%
Total Special Districts	489,704	9.46%	473,595	9.51%	466,029	9.76%	414,374	9.28%
Totals	\$5,175,654	100.00%	\$4,981,970	100.00%	\$4,775,750	100.00%	\$4,467,306	100.00%

Data extracted from County of Nassau, Comprehensive Annual Financial Report of the Comptroller for the Fiscal Years ended December 31, 2008 and 2007.

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APPENDIX B
GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED
DECEMBER 31, 2008 AND 2007

THE FINANCIAL STATEMENTS OF THE COUNTY AS OF AND FOR THE YEARS
ENDED DECEMBER 31, 2008 AND 2007, INCLUDED IN APPENDIX B, HAVE BEEN
AUDITED BY DELOITTE & TOUCHE LLP, INDEPENDENT AUDITORS. THE FOLLOWING
IS AN EXCERPT FROM SUCH AUDIT.

The audited financial statements and opinion were prepared as of the date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement. The auditor has not been asked to and has not reviewed or commented upon the Official Statement.

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MANAGEMENT DISCUSSION AND ANALYSIS

Nassau County's Comprehensive Annual Financial Report ("CAFR") complies with the requirements of Governmental Accounting Standards Board Statement No. 34 ("GASB 34"). This section of the report, required under GASB 34, presents Management's Discussion and Analysis ("MD&A") of the County's financial activities and performance for the fiscal years ended December 31, 2008 and 2007. This section should be read in conjunction with the letter of transmittal and the County's financial statements.

FINANCIAL HIGHLIGHTS

- The County's net worth declined by \$291.8 million during 2008 to negative \$4.7 billion. The decline was due to increases in estimated long term liabilities for workers compensation, post employment benefits and property tax refunds. The total increase in Long Term Liabilities was partially offset by a slight increase in Capital Assets.
- The County generated a budgetary surplus of \$2.1 million in its primary operating funds (General, Police Headquarters, Police Districts and Fire Safety) in 2008. This surplus can be attributed to conservative budgeting, cost containment, and progress in the implementation of key components of the multi-year financial plan.
- In 2008, the County paid \$98.8 million in refund payments to residential and commercial property taxpayers who successfully challenged their assessments. The Administration funded the tax certiorari payments by using \$40 million from the operating budget, which continues the County's use of pay-as-you-go financing ("PAYGO"). The balance of \$58.8 million was funded by the issuance of debt.
- These financial statements are presented in accordance with Generally Accepted Accounting Principles ("GAAP"). In addition, certain statements present GAAP to budgetary basis conversion columns to present actual results on a budgetary basis. Unreserved fund balance in the County's primary operating funds total \$74.1 million on a budgetary basis (\$53.1 million on a GAAP basis, of which \$57.9 million is in the General Fund offset by a deficit in the Police District Fund). Unreserved fund balance in the Sewer and Storm Water District Fund totals \$129.5 million on a GAAP basis.
- From February of 2003 through June 2009 the County's credit rating had been increased a total of 13 times by the three major rating agencies. In June 2009, Fitch IBCA, Moody's Investors Services and Standard and Poor's, all reaffirmed the County's ratings with no change from the prior year.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS FOR 2008

GASB 34 requires the inclusion of two types of financial statements in the CAFR: *government-wide financial statements* and *fund financial statements*.

Government-wide financial statements provide information about the County as a whole using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus looks at the transactions and events that have increased or decreased the total economic resources of the government as a whole during the accounting period being reported. The accrual basis of accounting requires revenues to be recognized as soon as they are earned, regardless of the timing of related inflows of cash, and it requires expenses to be recognized as soon as liabilities are incurred, regardless of the timing of related outflows of cash. These statements present a long-term view of the County's finances.

There are two government-wide financial statements: the *statement of net assets* and the *statement of activities*. The statement of net assets reports everything the County owns (its assets) and owes (its liabilities) as of the end of the year. Net assets are what remain after all liabilities have been paid off or otherwise satisfied; they signify the net worth of the government. This statement is designed to display assets and liabilities in order of their basic liquidity and maturity while presenting the basic accounting relationship applicable to public sector entities: *assets – liabilities = net assets*. This statement also presents all of the County's economic resources – that is, all of its assets and liabilities, both financial and capital. The statement of activities tracks the County's annual revenues and expenses as well as any other transactions that increase or reduce net assets. It divides the County's activities into three elements: its governmental activities, its business-type activities (currently not applicable), and the activities of its component units.

The Statement of Net Assets

The statement of net assets for the 2008 fiscal year shows that Nassau County has a deficit balance of \$4.7 billion. Table 1 shows that the County's net worth declined by \$291.8 million during 2008 primarily due to increases in the estimated long term liability for workers compensation, post employment benefits, and property tax refunds. The accrual increase in workers compensation was primarily the result of a change in methodology. Property tax refund accruals resulted from the inclusion of the Assessment Review Commission's estimate of the additional liability associated with unilateral reductions.

Table 1
Summary of Net Assets (Deficit)
(dollars in millions)

	<u>Total Primary Governmental Activities</u>		<u>Change</u>
	<u>2008</u>	<u>2007</u>	
Current and Other Assets	\$ 1,593.0	\$ 1,592.3	\$ 0.7
Capital Assets	<u>2,389.3</u>	<u>2,318.7</u>	<u>70.6</u>
Total Assets	<u>3,982.3</u>	<u>3,911.0</u>	<u>71.3</u>
Long-Term Liabilities	7,671.0	7,226.3	444.7
Other Liabilities	<u>1,030.6</u>	<u>1,112.2</u>	<u>(81.6)</u>
Total Liabilities	<u>8,701.6</u>	<u>8,338.5</u>	<u>363.1</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,356.9	1,602.2	(245.3)
Restricted	56.7	-	56.7
Unrestricted	<u>(6,132.9)</u>	<u>(6,029.7)</u>	<u>(103.2)</u>
Total Net Assets (Deficit)	<u>\$ (4,719.3)</u>	<u>\$ (4,427.5)</u>	<u>\$ (291.8)</u>

The County's total assets increased by \$71.3 million in 2008 from \$3.9 billion to \$4.0 billion. The increase in Capital Assets of \$70.6 million was primarily due to the completion of renovations to the Old County Courthouse as part of the building consolidation project, sewer and storm water improvements, and open space purchases. As a result of the adoption of GASB 51 in 2008, which establishes standards for accounting and reporting of intangible assets for all state and local governments, the County has recorded \$8.8 million of land rights as intangible assets within Capital Assets.

Table 1 also shows that total liabilities increased in 2008 by \$363.1 million. This was primarily due to the aforementioned increases in Long Term Liabilities partially offset by a slight decrease in Other Liabilities from the conversion of short term notes to bonds.

The County has \$1.4 billion invested in its capital assets, recorded at acquisition cost, net of related debt. Capital assets are used by the County in the provision of services to the taxpayers; hence, this investment of County equity is allocated in the County's capital assets and is not immediately available to support future expenses.

Finally, the County's Statement of Net Assets shows a deficit balance of \$4.7 billion in net assets at December 31, 2008, which represents an increase in the deficit of \$291.8 million since the close of the 2007 fiscal year. Unrestricted net assets reflect all liabilities that are not related to the County's capital assets and which are not expected to be repaid from restricted resources. Accordingly, the County will have to allocate future revenues towards the payment of these liabilities.

As of December 31, 2008, Nassau County and its blended component units had a combined \$3.2 billion in outstanding long-term debt. The County's debt indicators and ratios are disproportionately high. This is because the County has historically issued long-term debt to finance judgments, settlements, and the payment of real property tax refunds resulting from successful grievances of property tax assessments.

Nassau County is responsible under State law for guaranteeing the tax levy of the three towns within the County, all but one of the 56 school districts, and approximately 200 special districts. Prior to the court ordered mass property revaluation which was completed in 2002, the County had not reassessed its residential properties since 1938, nor had it reassessed its commercial properties since 1986. Even after the revaluation, over one-hundred thousand grievances have been filed annually by residential and commercial property owners protesting the accuracy of the assessed values assigned to their properties. Starting in 2006 and continuing through 2008, the County has been transitioning to PAYGO financing for real property tax refunds.

The Statement of Activities

The Statement of Activities for the fiscal year that ended December 31, 2008 details the decline in the County's net worth from 2007 to 2008. Table 2 summarizes the changes in the County's net assets. Several factors impacted the County's net worth. They include:

- Revenue from operating grants increased by \$15.5 million primarily due to increased State Aid in the Departments of Social Services and Mental Health and Chemical Dependency and Developmental Disabilities. The increases were primarily driven by three factors; incremental reimbursement in federal and state aid due to higher social services caseloads, revenue maximization efforts in Social Services and increases in grants to Mental Health and Chemical Dependency and Developmental Disabilities and Social Services.
- Sales Tax revenues decreased \$11.9 million from 2007, as the County experienced a decline in sales tax revenue for the first time in eighteen years. For the region, lower sales tax growth is projected, due to slowing economic activity from higher unemployment and a declining regional housing market.
- Capital Grants decreased by \$21.9 million, primarily because receipts from land sales fell from \$17 million in 2007 to \$1.5 million in 2008 and there was no pass through federal aid for the police department's computer aided dispatch system, which had received approximately \$5 million in federal aid in 2007.
- Revenue from Tobacco Settlements increased in 2008 by \$14.9 million. Those funds are disbursed by the

county to the Nassau Health Care Corporation.

- General Government expenses increased by a net of \$230 million. This increase primarily related to an increase in the workers compensation liability of \$124.7 million, an adjustment to OPEB of \$101.8 million and an increase in real property tax refund expense of \$37.2 million. Partially offsetting these increases were decreases to capital assets expense. This decrease was the result of a larger share of the 2008 capital assets qualifying to be amortized rather than expensed in the current year.
- Protection of Persons increased by \$46.7 million due to increases in salaries and related employee benefits including workers compensation expense of \$7.9 million, formerly reported as general government expense, and an increase in capital asset expense of \$13 million. Salaries increased because of wage increases in labor contracts and an increase in termination pay expense.
- Social Services expense increased by \$18 million due to higher TANF and Safety Net caseloads and increases in the cost of Medicaid. This was partially offset by the increased state aid discussed above.

Table 2
Change in Net Assets
(dollars in millions)

	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services	\$ 174.0	\$ 194.4	\$ (20.4)
Operating Grants	413.0	397.5	15.5
Capital Grants	15.1	37.0	(21.9)
General Revenues			
Property Taxes	889.5	886.7	2.8
Sales Taxes	998.6	1,010.5	(11.9)
Other Taxes	39.0	45.0	(6.0)
Tobacco Settlement Revenues	74.1	59.2	14.9
Investment Income	48.7	45.3	3.4
Other General Revenues	26.4	21.9	4.5
Total Revenues	<u>2,678.4</u>	<u>2,697.5</u>	<u>(19.1)</u>
Expenses			
Legislative	10.1	9.8	0.3
Judicial	53.0	49.9	3.1
General Government	759.2	529.2	230.0
Implementation of GASB 45*		3,354.8	(3,354.8)
Protection of Persons	719.0	672.3	46.7
Health	259.5	254.9	4.6
Public Works	224.6	221.7	2.9
Recreation and Parks	43.1	48.8	(5.7)
Social Services	519.3	501.3	18.0
Corrections	212.1	226.0	(13.9)
Education	10.7	10.2	0.5
Interest on Long Term Debt	159.6	157.4	2.2
Total Expenses	<u>2,970.2</u>	<u>6,036.3</u>	<u>(3,066.1)</u>
Decrease in Net Assets	(291.8)	(3,338.8)	3,047.0
Implementation of GASB 48*		375.8	(375.8)
Net Assets - (Deficit) Beginning	<u>(4,427.5)</u>	<u>(1,464.5)</u>	<u>(2,963.0)</u>
Net Assets - (Deficit) Ending	<u>\$ (4,719.3)</u>	<u>\$ (4,427.5)</u>	<u>\$ (291.8)</u>

* Implemented in 2007. In subsequent years, adjustments are included in General Government.

ANALYSIS OF FUND FINANCIAL STATEMENTS FOR 2008

The remaining statements in the CAFR are *fund financial statements (governmental fund statements and fiduciary fund statements)* that focus on individual parts of the County government, reporting on the County's operations in more detail than the government-wide statements. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending on particular programs. The fund financial statements employ the *current financial resources measurement focus* and are presented using the *modified-accrual basis of accounting*. The current financial resources measurement focus requires the fund financial statements to report near-term inflows and outflows of financial resources. To achieve this objective, the application of the accrual basis of accounting must be modified so that the fund financial statements report only those transactions and events that affect inflows and outflows of financial resources in the near future.

The County's governmental fund statements (*balance sheet and statement of revenues, expenditures, and changes in fund balance*) tell how the general governmental services were financed in the short term as well as what money remains for future spending. These statements present the government's current financial resources (which include its cash and assets that will become cash in the next year) and the current liabilities that these assets will be used to retire.

The County's general operations are financed through four primary operating funds: the General Fund; the Fire Prevention, Safety, Communication, and Education Fund; the Police Headquarters Fund; and the Police District Fund. In 2007, the County Parks and Recreation Fund was merged into the General Fund. With the exception of the Police District Fund, the remaining primary operating funds have identical tax bases; accordingly, the resources in these funds are fungible. The County also has a debt service fund into which resources are transferred to pay current and future debt service obligations. The County's sewer and storm water operations are funded through a sewer and storm water resources district, which through state legislation consolidated three sewage disposal district maintenance funds as well as a sewage collection district maintenance fund for the twenty-seven sewer collection districts located throughout Nassau County. The County also has a Technology Fund, an Open Space Fund, as well as a series of other non-major operating and capital project funds.

The Governmental Fund Statements

Nassau County ended the 2008 fiscal year with a budgetary surplus of \$2.1 million aggregated across its primary operating funds. This surplus resulted from the County's ability to meet the unprecedented budgetary challenges from the national credit crisis. This aforementioned crisis led to lower sales tax revenue and lower investment income. However, to meet the challenge the Administration was able to offset the revenue shortfalls by implementing spending controls. The key measures taken to reduce expenses were: limiting hiring of personnel to key positions, the implementation of an inventory management initiative, continued progress in the implementation of initiatives in the multi-year financial plan and savings generated from successful labor negotiations resulting in no across the board increase for the Civil Service Employees Association in the current year.

Table 3
Summary of Changes in Unreserved Fund Balance
Major Operating Funds and Sewer and Storm Water District Fund
(dollars in millions)

	2008	2007	Change
Primary Operating Funds			
General Fund	\$ 57.9	\$ 64.7	\$ (6.8)
Fire Commission			
Police Headquarters	1.6		1.6
Police District	(6.4)	6.1	(12.5)
Total Primary Operating Funds	<u>\$ 53.1</u>	<u>\$ 70.8</u>	<u>\$ (17.7)</u>
 Sewer and Storm Water District Fund	 <u>\$ 129.5</u>	 <u>\$ 162.1</u>	 <u>\$ (32.6)</u>

As Table 3 shows, accumulated unreserved, undesignated fund balance in the primary operating funds totaled \$53.1 million at the end of 2008 on a financial reporting basis. On a budgetary basis, the County ended 2008 with accumulated unreserved and undesignated fund balance totaling \$74.1 million. \$10 million of prior years' surplus has been appropriated into the 2009 budget to fund revenue shortfalls.

Unreserved fund balance in the Sewer and Storm Water District declined by \$32.6 million, reflecting the use of fund balance to pay down debt and to cushion the effects of the rate harmonization of the old sewer districts into the new zones of assessments.

The County's operating surplus on a budgetary basis was the result of conservative budgeting and substantial progress in the implementation of core elements of the multi-year financial plan. Specific factors that contributed to the County's fiscal performance were as follows:

- The County's workforce management program limited new hiring primarily to essential and/or emergency functional areas, and throughout the year, full-time staffing levels were below budgeted levels. For example, on December 18, 2008, full-time staffing in the primary operating funds was 365 positions below the budget allotment of 9,159. The County also achieved savings of \$14.8 million, primarily in the General Fund, from the settlement of the Sheriff's Officers Association labor contract.
- By controlling spending on contracts and restricting purchasing via better inventory management, the County achieved a \$23 million favorable variance to budget, also primarily in the General Fund.
- The County successfully implemented a series of "smart government initiatives", such as recoveries associated with workers compensation claims, the value of which totaled \$9.9 million.
- Budgeted borrowings were delayed to later in 2008 and were less than anticipated. This resulted in lower debt service costs with a budgetary surplus of \$22.7 million.
- Partially offsetting these positive results were negative factors in the General Fund including a \$9.9 million shortfall in investment income due to lower interest rates and a \$41.9 million shortfall in sales tax revenue. These negative variances are primarily a result of slower economic activity due to the negative effects of the credit crisis, higher unemployment, and lower consumer confidence.

CAPITAL INVESTMENTS

The County completed a number of capital projects during the 2008 fiscal year, including \$9.9 million in park improvements and upgrades and \$28 million in road improvements. Major roadway improvements were undertaken on Guy Lombardo Avenue in Freeport and Rockaway Turnpike in Cedarhurst. The County completed the refurbishment of Nunley's Carousel, which was moved to a new location on Museum Row in 2009.

The building consolidation project saw the successful completion of the Old County Courthouse renovation. The building was opened and dedicated in February 2008 as the County's new Executive and Legislative building. The Police and Fire Communication Center in Westbury continues to undergo structural expansion and improvements.

The County made capital improvements during 2008 in the following areas:

Table 4
Capital Improvements
January 1, 2008 to December 31, 2008
(dollars in millions)

Project Category	Amount
Building Consolidation Plan	\$ 34.0
Building Improvements	6.0
Environmental Bond Act	1.5
Equipment	3.4
Infrastructure and Economic Development	10.8
Open Space Property Purchases	29.8
Parks	9.9
Property Acquisition	0.4
Public Safety	13.7
Roads	28.4
Sewer and Storm Water	31.8
Technology	15.6
Traffic	7.0
Miscellaneous	<u>2.2</u>
Total	<u>\$ 194.5</u>

Detailed information on capital asset activity is available in the Notes to the Financial Statements Exhibit X-16, Note 7.

DEBT

Nassau County and its blended component units - NIFA, NCTSC, and the SSWFA - had approximately a combined \$3.2 billion in outstanding long-term debt as of December 31, 2008, representing a net increase of \$178.7 million (\$155.5 million was used to repay commercial paper and BANs that were outstanding at the end of 2007) over the combined long-term debt outstanding as of December 31, 2007. The County also provides a direct-pay guarantee of \$262.1 million outstanding from the refunding and new money debt issued in October of 2004 by the Nassau Health Care Corporation and \$17.4 million outstanding from the refunding and new money debt issued in June of 2005 by the Nassau Regional Off-Track Betting Corporation. Since the two corporations are discretely-presented component units of the County, their debt is not itemized in Table 5 below.

Table 5
Changes in Long-Term Debt Obligations
(dollars in thousands)

	<u>Balance</u> <u>31-Dec-07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>31-Dec-08</u>
General Obligation County Bonds	\$ 363,300	\$ 272,863	\$ 96,671	\$ 539,492
Sewage Purpose Bonds	83,392	20,000	24,327	79,065
SRF Revenue Bonds	<u>147,379</u>	<u> </u>	<u>8,569</u>	<u>138,810</u>
Total county Long -Term Debt	<u>594,071</u>	<u>292,863</u>	<u>129,567</u>	<u>757,367</u>
NIFA Sales Tax Secured Bonds	<u>1,958,525</u>	<u>728,240</u>	<u>811,690</u>	<u>1,875,075</u>
Tobacco Settlement Asset-Backed Bonds	<u>431,034</u>	<u> </u>	<u>4,683</u>	<u>426,351</u>
Sewer Financing Authority	<u>72,225</u>	<u>152,240</u>	<u>48,670</u>	<u>175,795</u>
TOTAL LONG TERM DEBT	<u>\$ 3,055,855</u>	<u>\$ 1,173,343</u>	<u>\$ 994,610</u>	<u>\$ 3,234,588</u>

In 2008, the County issued \$292.9 million of long-term debt to fund its capital program and to repay \$86.4 million of BANs. The County did not issue any new debt through the State Revolving Loan Fund ("SRF") during 2008. The SRF is administered by the New York State Environmental Facilities Corporation which provides interest-subsidized loans to local governments for eligible environmental projects (e.g. sewer and storm water improvement initiatives).

Offsetting new issuances was a decrease in NIFA's long-term debt of \$83.5 million during the 2008 fiscal year. This decrease reflects the maturing and run-off of the existing NIFA debt.

The amount of outstanding debt of the NCTSC was reduced due to \$4.7 million of maturities.

During fiscal year 2008, the SSWFA issued \$152.2 million in new bonds, retired \$114.5 million of Auction Rate Securities and commercial paper notes and had \$3.3 million of bonds mature.

The County issued two cash flow notes during the 2008 fiscal year. Management anticipates issuing one or more cash flow notes in 2009.

Detailed information on long-term debt activity is available in the Notes to the Financial Statements Exhibit X-16, Note 9.

NASSAU COUNTY'S CREDIT RATING

The three major credit rating agencies have responded to the County's fiscal progress by increasing the ratings assigned to the County's long-term general obligation debt a total of 13 times from February of 2003 through June of 2008. In June 2009, Fitch IBCA, Moody's Investors Services and Standard and Poor's all reaffirmed the County's ratings, with no change from the prior year.

CONCLUSION

The County's net worth declined by \$291.8 million during 2008 to negative \$4.7 billion. This decline was primarily driven by the increases in long term liabilities for Workers Compensation, OPEB, and Tax Certiorari refund claims. The negative balance in total net worth is principally driven by the implementation of GASB 45 in 2007 of \$3.4 billion. The remaining balance is primarily the result of outstanding borrowings for real property tax refunds.

During 2008, the County generated a slight positive budgetary surplus of \$2.1 million across its primary operating funds. This surplus resulted from the County's ability to meet the unprecedented budgetary challenges and revenue shortfalls during 2008 with sound conservative budgeting and progress in the implementation of the Multi-Year Financial Plan in addition to the limiting of hiring of personnel, implementation of spending controls, and generating savings from successful labor settlements. At the end of 2008, unreserved, undesignated fund balance in the County's primary operating funds stood at \$74.1 million on a budgetary basis.

The County's recent history of credit rating upgrades coupled with the reaffirmation by all three ratings agencies of the County's stable outlook reflects the County's improved pro-active financial management and performance. Nassau County faces difficult challenges as do other municipalities around the Country. The Multi Year Plan acknowledges these challenges by addressing the structural imbalance with a combination of recurring revenue options. The Administration has received New York State legislative approval for the use of red light cameras starting in 2009 to increase safety and generate revenue. The County continues to aggressively pursue the passage of legislation authorizing a cigarette tax, Traffic and Parking Violation Agency ticket surcharge and video lottery terminals, among other items that are included in the County's State legislative package. As part of a three year effort to reduce the real property tax refund liability, the County will use bond proceeds in order to stabilize tax certiorari payments and continue to reduce the backlog of claims which will sustain PAYGO financing. The administration is committed to pursuing cost reduction and maximizing funding before relying on taxpayers to bear any additional burden.

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BASIC FINANCIAL STATEMENTS

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EXHIBIT X-1

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
DECEMBER 31, 2008 (Dollars in Thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 468,078	\$ 69,281
Investments, Including Accrued Interest (Note 2)	110,466	
Assets Whose Use is Limited - Current		18,246
Sales Tax Receivable	91,212	
Interest Receivable	3,177	
Student Accounts and Loans Receivable		7,802
Less Allowance for Doubtful Amounts		(2,557)
Due from Other Governments (Note 3)	168,070	4,148
Less Allowance for Doubtful Accounts	(1,751)	
Other Receivables		5,434
Accounts Receivable	29,383	326,671
Less Allowance for Doubtful Accounts		(217,251)
Real Property Taxes Receivable	67,525	
Less Allowance for Doubtful Accounts	(6,995)	
Due from Component Unit (Note 5)	39,257	
Inventories		5,579
Prepays	103,414	
Other Assets - Current	17,257	18,658
Total Current Assets	1,089,093	236,011
NON CURRENT ASSETS:		
Deferred Financing Costs	174,588	8,475
Less Accumulated Amortization	(45,190)	(2,827)
Deferred Charges	363,848	
Assets Whose Use is Limited		58,149
Capital Assets Not Being Depreciated (Note 7)	713,595	18,427
Depreciable Capital Assets (Note 7)	2,905,825	673,789
Less Accumulated Depreciation	(1,230,127)	(430,175)
Deposits Held by Trustees		11,027
Deposits Held in Custody for Others		1,638
Tax Sale Certificates (Note 5)	4,162	
Tax Real Estate Held for Sale (Note 4)	6,481	
Other Assets		8,344
Total Non Current Assets	2,893,192	346,847
Total Assets	3,982,285	582,858
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable	86,587	40,647
Accrued Liabilities	179,289	24,359
Tax Anticipation Notes Payable	132,000	
Bond Anticipation Notes Payable	122,616	
Revenue Anticipation Notes Payable	105,000	
Accrued Interest Payable	11,370	1,923
Notes Payable - Current		52
Due to Primary Government (Note 6)		5,145
Deferred Revenue - Current	22,869	18,179
Current Portion of Long Term Liabilities (Note 9)	341,161	8,479
Other Liabilities - Current	29,647	8,835
Total Current Liabilities	1,030,539	107,619
NON CURRENT LIABILITIES:		
Notes Payable		189
Serial Bonds Payable (Notes 9 and 10)	3,019,613	287,233
Deferred Bond Premium (Net of Amortization)	62,943	2,270
Deferred Revenue	11,796	
Accrued Vacation and Sick Pay (Note 9 and 15)	532,827	65,247
Deferred Payroll	38,567	
Estimated Workers' Compensation Liability (Notes 9 and 15)	231,414	
Estimated Tax Certiorari Payable (Notes 9 and 15)	88,982	
Estimated Liability for Litigation and Malpractice (Notes 9 and 15)	219,469	40,856
Liability for Future Pension Expense		2,386
Capital Lease (Note 8)	5,482	
Other Liabilities - Non Current	3,366	46,188
Deposits Held in Custody for Others		1,638
Insurance Reserve Liability		1,944
Postemployment Retirement Benefits Liability	3,456,529	402,027
Total Non Current Liabilities	7,670,988	869,978
Total Liabilities	8,701,527	977,597
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,356,866	119,281
Restricted:		
General		1,651
Special Revenue		
Nassau Community College Foundation Fund		
Donor Imposed Stipulations		1,124
Direct Scholarships		82
Restricted Scholarships		982
Capital Projects	56,742	2,883
Debt Service		16,120
Student Loans		508
Unrestricted Deficit	(6,132,850)	(537,370)
Total Net Assets (Deficit)	\$ (4,719,242)	\$ (394,739)

See accompanying notes to financial statements.

EXHIBIT X-1

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
DECEMBER 31, 2007 (Dollars in Thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 500,254	\$ 66,342
Investments, Including Accrued Interest (Note 2)	68,557	
Assets Whose Use is Limited- Current		32,632
Sales Tax Receivable	108,211	
Interest Receivable	5,781	
Student Accounts and Loans Receivable		6,933
Less Allowance for Doubtful Amounts		(3,131)
Due from Primary Government		
Due from Other Governments (Note 3)	175,056	3,335
Less Allowance for Doubtful Accounts	(1,751)	
Other Receivables		4,169
Accounts Receivable	17,892	269,804
Less Allowance for Doubtful Accounts		(172,507)
Real Property Taxes Receivable	61,538	
Less Allowance for Doubtful Accounts	(6,985)	
Due from Component Unit (Note 6)	21,402	
Inventories		5,269
Prepays	108,436	
Other Assets - Current	16,945	15,302
Total Current Assets	1,075,326	228,148
NON CURRENT ASSETS:		
Deferred Financing Costs	164,012	8,149
Less Accumulated Amortization	(33,341)	(2,235)
Deferred Charges	375,806	
Assets Whose Use is Limited		50,831
Capital Assets Not Being Depreciated (Note 7)	561,979	18,365
Depreciable Capital Assets (Note 7)	2,878,334	640,510
Less Accumulated Depreciation	(1,121,509)	(409,804)
Leasehold Acquisition Costs		
Less Accumulated Amortization		
Deposits Held by Trustees		10,908
Deposits Held in Custody for Others		3,081
Tax Sale Certificates (Note 5)	3,953	
Tax Real Estate Held for Sale (Note 4)	6,473	
Other Assets		8,292
Total Non Current Assets	2,835,707	328,097
Total Assets	3,911,033	556,245
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable	90,164	42,428
Accrued Liabilities	224,492	19,783
Tax Anticipation Notes Payable	125,000	
Bond Anticipation Notes Payable	86,398	947
Revenue Anticipation Notes Payable	75,000	
Accrued Interest Payable	13,300	1,144
Notes Payable - Current	69,135	49
Due to Primary Government (Note 6)		559
Due to Other Governments		
Deferred Revenue - Current	32,162	18,001
Current Portion of Long Term Liabilities (Note 9)	373,375	7,012
Other Liabilities - Current	23,183	2,336
Total Current Liabilities	1,112,209	92,259
NON CURRENT LIABILITIES:		
Notes Payable		241
Serial Bonds Payable (Notes 9 and 10)	2,846,425	319,579
Deferred Bond Premium (Net of Amortization)	83,197	2,408
Deferred Revenue	3,159	
Accrued Vacation and Sick Pay (Note 9 and 15)	524,326	77,591
Estimated Workers' Compensation Liability (Notes 9 and 15)	108,376	
Estimated Tax Certiorari Payable (Notes 9 and 15)	51,849	
Estimated Liability for Litigation and Malpractice (Notes 9 and 15)	208,424	44,661
Liability for Future Pension Expense	5,522	15,870
Capital Lease (Note 8)		
Other Liabilities - Non Current	40,226	20,523
Deposits Held in Custody for Others		2,643
Insurance Reserve Liability		1,873
Postemployment Retirement Benefits Liability	3,354,770	347,017
Total Non Current Liabilities	7,226,274	832,406
Total Liabilities	8,338,483	924,665
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,602,186	131,691
Restricted:		
Special Revenue		
Donor Imposed Stipulations		1,377
Direct Scholarships		95
Restricted Scholarships		941
Capital Projects		918
Debt Service		14,546
Student Loans		505
Unrestricted Deficit	(6,029,636)	(518,493)
Total Net Assets (Deficit)	\$ (4,427,450)	\$ (368,420)

See accompanying notes to financial statements.

EXHIBIT X-2

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008 (Dollars in Thousands)**

Functions/Programs						Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Program Revenues			Capital Grants	Primary Government	Component Units
		Charges for Services	Operating Grants			Governmental Activities	
Primary Government:							
Legislative	\$ 10,126	\$ 233	\$	\$	\$	\$ (9,893)	\$
Judicial	52,998	17,953	6,722			(28,323)	
General Government	759,162	43,712	32,824			(682,626)	
Protection of Persons	718,984	33,285	11,304			(674,395)	
Health	259,517	22,208	153,913			(83,396)	
Public Works	224,577	7,612	436	15,106		(201,423)	
Recreation and Parks	43,125	19,775				(23,350)	
Social Services	519,326	19,227	188,826			(311,273)	
Corrections	212,124	7,420	18,940			(185,764)	
Education	10,741	2,579				(8,162)	
Debt Service Interest	159,632					(159,632)	
Total Primary Government	\$ 2,970,312	\$ 174,004	\$ 412,965	\$ 15,106		(2,368,237)	
Component Units	\$ 907,503	\$ 657,660	\$ 145,328	\$ 72,864			(31,651)
General Revenues:							
Taxes:							
Property Taxes					\$	889,519	
Sales Taxes						998,733	
Other Taxes						38,991	
Tobacco Settlement Revenue and Tobacco Receipts						74,078	
Investment Income						48,701	5,332
Other						26,423	
Total General Revenues						2,076,445	5,332
Change in Net Assets						(291,792)	(26,319)
Subtotal						(291,792)	(26,319)
Net Assets (Deficit) - Beginning						(4,427,450)	(368,420)
Net Assets (Deficit) - Ending						\$ (4,719,242)	\$ (394,739)

See accompanying notes to financial statements.

EXHIBIT X-2

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007 (Dollars in Thousands)**

Functions/Programs					Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Program Revenues			Primary Government	Component Units
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	
Primary Government:						
Legislative	\$ 9,789	\$ 122	\$	\$	\$ (9,667)	\$
Judicial	49,995	18,329	5,062		(26,604)	
General Government	529,185	70,641	28,182		(430,362)	
Postemployment Retirement Benefits	3,354,770				(3,354,770)	
Protection of Persons	672,293	35,544	12,668		(624,081)	
Health	254,856	22,798	145,603		(86,455)	
Public Works	221,678	5,366	534	37,031	(178,747)	
Recreation and Parks	48,833	17,902			(30,931)	
Social Services	501,254	14,558	181,081		(305,615)	
Corrections	225,968	5,483	24,401		(196,084)	
Education	10,216	3,668			(6,548)	
Debt Service Interest	157,439				(157,439)	
Total Primary Government	\$ 6,036,276	\$ 194,411	\$ 397,531	\$ 37,031	(5,407,303)	
Component Units	\$ 1,110,942	\$ 617,461	\$ 132,074	\$ 21,822		(339,585)
General Revenues:						
Taxes:						
Property Taxes					\$ 886,691	
Sales Taxes					1,010,566	
Other Taxes					45,037	
Tobacco Settlement Revenue and Tobacco Receipts					59,153	
Investment Income					45,284	6,062
Other					21,865	(6,196)
Total General Revenues					2,068,596	(134)
Change in Net Assets					(3,338,707)	(339,719)
Implementation of GASB 48					375,806	
Subtotal					(2,962,901)	(339,719)
Net Assets (Deficit) - Beginning					(1,464,549)	(28,701)
Net Assets (Deficit) - Ending					\$ (4,427,450)	\$ (368,420)

See accompanying notes to financial statements.

EXHIBIT X-3

COUNTY OF NASSAU, NEW YORK

**GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2008 (Dollars in Thousands)**

	General Fund	NIFA General Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	Police District Fund	Police Headquarters Fund	Sewer and Storm Water District Fund	Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS										
Cash	\$ 58,280	\$ 264	\$ 1,951	\$ 475	\$ 12,694	\$ 2,075	\$ 138,791	\$ 176,572	\$ 76,976	\$ 468,078
Investments (Note 2)		510							109,956	110,466
Sales Tax Receivable		91,212								91,212
Interest Receivable									563	563
Due from Other Governments (Note 3)	155,665					1,622			10,783	168,070
Less Allowance for Doubtful Accounts	(1,751)									(1,751)
Accounts Receivable	24,580				179	2,149	617		1,858	29,383
Real Property Taxes Receivable	67,525									67,525
Less Allowance for Doubtful Accounts	(6,995)									(6,995)
Tax Sale Certificates (Note 5)	4,162									4,162
Tax Real Estate Held for Sale (Note 4)	6,481									6,481
Interfund Receivables (Note 6)	218,548		28,946		1,227	7,016	8,501		58,100	322,428
Prepays	38,312		189	819	32,816	28,186	1,496		1,596	103,414
Due from Component Units (Note 6)	38,889								1,745	40,634
Other Assets	8,727	35		140	3,860	3,798	456	206	35	17,257
TOTAL ASSETS	\$ 612,423	\$ 92,021	\$ 31,086	\$ 1,434	\$ 50,776	\$ 44,846	\$ 149,951	\$ 176,778	\$ 261,612	\$ 1,420,927
LIABILITIES AND FUND EQUITY										
LIABILITIES:										
Accounts Payable	\$ 59,520	\$	\$	\$ 17	\$ 713	\$ 926	\$ 4,530	\$ 11,709	\$ 9,172	\$ 86,587
Accrued Liabilities	98,492	27		148	14,540	993	3,461		61,659	179,320
Bond Anticipation Notes Payable (Note 9)								57,242	14,617	71,859
Tax Anticipation Notes Payable (Note 9)	132,000									132,000
Revenue Anticipation Notes Payable (Note 9)	105,000									105,000
Deferred Revenue	27,872								27,238	55,110
Interfund Payables (Note 6)	41,511	92,010	31,086	1,258	41,429	39,776	7,227	62,351	5,780	322,428
Due to Component Units (Note 6)						45	63	94	1,175	1,377
Other Liabilities	17,487							625	14,901	33,013
Total Liabilities	481,882	92,037	31,086	1,423	56,682	41,740	15,281	132,021	134,542	986,694
FUND EQUITY:										
Fund Balances:										
Reserved for Retirement of Temporary Financing								4,679		4,679
Reserved for Encumbrances	72,597				542	1,522	5,147	195,388	136,925	412,121
Restricted - Senior Liquidity Reserve									24,009	24,009
Unreserved and Designated for Ensuing Year's Budget (Note 13):										
General	10,000									10,000
Special Revenue							59,496			59,496
Unreserved Nonmajor Fund Balances (Deficits):									(31,613)	(31,613)
Special Revenue									(23,728)	(179,038)
Capital Projects								(155,310)	21,477	21,477
Debt Service										
Unreserved Major Fund Balances (Deficits) (Note 13)	47,944	(16)		11	(6,448)	1,584	70,027			113,102
Total Fund Equity	130,541	(16)		11	(5,906)	3,106	134,670	44,757	127,070	434,233
Commitments and Contingencies (Note 15)										
TOTAL LIABILITIES AND FUND EQUITY	\$ 612,423	\$ 92,021	\$ 31,086	\$ 1,434	\$ 50,776	\$ 44,846	\$ 149,951	\$ 176,778	\$ 261,612	\$ 1,420,927

The reconciliation of the fund balances of governmental funds to the net assets of governmental activities in the Statement of Net Assets is presented in an accompanying statement.

See accompanying notes to financial statements.

EXHIBIT X-3

COUNTY OF NASSAU, NEW YORK

GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2007 (Dollars in Thousands)

	General Fund	NIFA General Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	Police District Fund	Police Headquarters Fund	Sewer and Storm Water District Fund	Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS										
Cash	\$ 109,221	\$ 663	\$ 5,260	\$ 2,013	\$ 15,499	\$ 1,391	\$ 98,977	\$ 155,864	\$ 111,366	\$ 500,254
Investments (Note 2)									68,557	68,557
Sales Tax Receivable		108,211								108,211
Interest Receivable		1							3,129	3,130
Due from Other Governments (Note 3)	163,229					1,554			10,273	175,056
Less Allowance for Doubtful Accounts	(1,751)									(1,751)
Accounts Receivable	12,814				769	3,319	338	476	176	17,892
Real Property Taxes Receivable	61,538									61,538
Less Allowance for Doubtful Accounts	(6,995)									(6,995)
Tax Sale Certificates (Note 5)	3,953									3,953
Tax Real Estate Held for Sale (Note 4)	6,473									6,473
Interfund Receivables (Note 6)	255,906		35,751	23	2,296	13,109	84,258	75	70,290	461,708
Prepays	41,637			1,017	31,437	31,033	1,700		1,612	108,436
Due from Component Units (Note 6)	21,904								1,617	23,521
Other Assets	9,189	27			3,478	3,577	424	216	34	16,945
TOTAL ASSETS	\$ 677,118	\$ 108,902	\$ 41,011	\$ 3,053	\$ 53,479	\$ 53,983	\$ 185,697	\$ 156,631	\$ 267,054	\$ 1,546,928
LIABILITIES AND FUND EQUITY										
LIABILITIES:										
Accounts Payable	\$ 58,950	\$	\$	\$ 67	\$ 719	\$ 617	\$ 6,128	\$ 14,960	\$ 8,723	\$ 90,164
Accrued Liabilities	137,318	115		534	14,143	10,233	4,022		58,121	224,486
Bond Anticipation Notes Payable (Note 9)								77,175	9,223	86,398
Tax Anticipation Notes Payable (Note 9)	125,000									125,000
Revenue Anticipation Notes Payable (Note 9)	75,000									75,000
Commercial Paper Notes Payable									69,135	69,135
Deferred Revenue	25,434								30,332	55,766
Interfund Payables (Note 6)	94,732	107,238	41,011	2,486	31,886	42,145	4,885	83,447	53,878	461,708
Due to Component Units (Note 6)				4		47	66	1,146	856	2,119
Other Liabilities	22,370							810	40,229	63,409
Total Liabilities	538,804	107,353	41,011	3,091	46,748	53,042	15,101	177,538	270,497	1,253,185
FUND EQUITY :										
Fund Balances:										
Reserved for Retirement of Temporary Financing								7,251	75	7,326
Reserved for Encumbrances	73,592				670	941	8,462	142,438	88,883	314,986
Restricted - Senior Liquidity Reserve									24,009	24,009
Unreserved and Designated for Ensuing Year's Budget (Note 13):										
General	10,000									10,000
Special Revenue							53,203			53,203
Unreserved Nonmajor Fund Balances (Deficits):										
Special Revenue									(41,132)	(41,132)
Capital Projects								(170,596)	(48,854)	(219,450)
Debt Service									(26,424)	(26,424)
Unreserved Major Fund Balances (Deficits) (Note 13)	54,722	1,549		(38)	6,061		108,931			171,225
Total Fund Equity	138,314	1,549		(38)	6,731	941	170,596	(20,907)	(3,443)	293,743
Commitments and Contingencies (Note 15)										
TOTAL LIABILITIES AND FUND EQUITY	\$ 677,118	\$ 108,902	\$ 41,011	\$ 3,053	\$ 53,479	\$ 53,983	\$ 185,697	\$ 156,631	\$ 267,054	\$ 1,546,928

The reconciliation of the fund balances of governmental funds to the net assets of governmental activities in the Statement of Net Assets is presented in an accompanying statement.

See accompanying notes to financial statements.

EXHIBIT X-4

COUNTY OF NASSAU, NEW YORK

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008 (Dollars in Thousands)**

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

Total fund balances - governmental funds	\$ 434,233
Revenue recorded in the statement of net assets is recorded as deferred revenue in the governmental funds	20,445
Premium on debt issued is recorded in the governmental funds as revenue. In the statement of activities, the premium is amortized over the lives of the debt	(62,943)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net	2,389,293
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	493,256
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds payable	(3,070,370)
GASB 45 liability	(3,456,529)
Other long term liabilities	(1,116,741)
Current portion of long term liabilities and short term notes payable	(341,161)
Accrued expenses and interest payable	<u>(8,725)</u>
Net assets (deficit) of governmental activities	\$ <u>(4,719,242)</u>

See accompanying notes to financial statements.

EXHIBIT X-4

COUNTY OF NASSAU, NEW YORK

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2007 (Dollars in Thousands)**

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

Total fund balances - governmental funds	\$ 293,743
Revenue recorded in the statement of net assets is recorded as deferred revenue in the governmental funds	20,445
Premium on debt issued is recorded in the governmental funds as revenue. In the statement of activities, the premium is amortized over the lives of the debt	(83,197)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net	2,318,804
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	506,477
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds payable	(2,846,425)
Implementation of GASB 45	(3,354,770)
Other long term liabilities	(898,497)
Current portion of long term liabilities and short term notes payable	(373,375)
Accrued expenses and interest payable	<u>(10,655)</u>
Net assets (deficit) of governmental activities	\$ <u>(4,427,450)</u>

See accompanying notes to financial statements.

EXHIBIT X-5

COUNTY OF NASSAU, NEW YORK

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008 (Dollars in Thousands)

	General Fund	NIFA General Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	Police District Fund	Police Headquarters Fund	Sewer and Storm Water District Fund	Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:										
Interest and Penalties on Taxes	\$ 26,423	\$	\$	\$	\$	\$	\$	\$	\$	\$ 26,423
Licenses and Permits	7,515				1,511	884	266			10,176
Fines and Forfeits	21,936				83				2,122	24,141
Interest Income	6,333	841		5	592	35	2,807	3,926	5,105	19,644
Rents and Recoveries	28,757			14	277	147	252	1,474	272	31,193
Tobacco Settlement Revenue	23,000									23,000
Tobacco Proceeds										29,415
Tobacco Receipts										21,663
Departmental Revenue	62,246			5,397	3,374	17,697	1,935	24	2,815	93,488
Interdepartmental Revenue	125,872				377	10,989	836		352	138,426
Federal Aid	109,579					466		6,208	51,831	168,084
State Aid	201,007			195		1,485		6,371	48,433	257,491
Sales Tax	754,792	181,512								936,304
Preempted Sales Tax in Lieu of Property Taxes	62,429									62,429
Property Taxes	150,691			15,555	332,326	279,632	103,940		7,375	889,519
Payments in Lieu of Taxes	4,154									4,154
Special Taxes	9,831					21,895			3,111	34,837
Other Revenues	9,036			26	1,312	1,800	156	964	1,629	14,923
Total Revenues	1,603,601	182,353		21,192	339,852	335,030	110,192	18,967	174,123	2,785,310
EXPENDITURES:										
Current:										
Legislative	10,118									10,118
Judicial	49,998								3,053	53,051
General Administration	217,187	1,137							33,015	251,339
Protection of Persons	13,238			21,237	352,374	342,709			8,935	738,493
Health	214,808								48,377	263,185
Public Works	93,589						87,519		165	181,273
Recreation and Parks	34,244								1,784	36,028
Capital Outlay								149,533		149,533
Sewage Districts									27,801	27,801
Social Services	518,409								6,424	524,833
Corrections	205,186								2,001	207,187
Education	8,656									8,656
Payments for Tax Certiorari and Other Judgments	115,717									115,717
Other	123,649								29,415	153,064
Total Current	1,604,799	1,137		21,237	352,374	342,709	87,519	149,533	160,970	2,720,278
Debt Service:										
Principal			80,600				29,466		96,893	206,959
Interest			26,162				8,723		119,144	154,029
Financing Costs			4,785						1,954	6,719
Total Debt Service			111,527				38,189		217,991	367,707
Total Expenditures	1,604,799	1,137	111,527	21,237	352,374	342,709	125,708	149,533	378,961	3,087,985
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,198)	181,216	(111,527)	(45)	(12,522)	(7,679)	(15,516)	(130,566)	(204,838)	(302,675)
OTHER FINANCING SOURCES (USES):										
Other Financing Sources - Premium on Bonds			7,719						1,081	8,800
Transfers In	188,720		283,965	832		13,536				487,053
Transfers In of Investment Income	3,926						218			4,144
Transfers Out	(269,778)		(180,157)	(738)	(115)	(3,692)	(6,836)	(23,741)	(1,996)	(487,053)
Transfers Out of Investment Income								(3,926)	(218)	(4,144)
Deposited with Escrow Agent for Defeasance	(21,585)								(768,150)	(789,735)
Transfers In from NIFA	3,109	2,146							184,587	189,852
Transfers Out to NIFA		(184,927)							(4,925)	(189,852)
Transfers In from SFA									268,029	268,029
Transfers Out to SFA							(13,792)		(254,237)	(268,029)
Issuance of Notes	50,757									50,757
Issuance of Bonds	38,276							223,897	911,170	1,173,343
Total Other Financing Sources (Uses)	(6,575)	(182,781)	111,527	94	(115)	9,844	(20,410)	196,230	335,351	443,165
NET CHANGE IN FUND BALANCES	(7,773)	(1,585)		49	(12,637)	2,165	(35,926)	65,664	130,513	140,490
TOTAL FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	138,314	1,549		(38)	6,731	941	170,596	(20,907)	(3,443)	293,743
TOTAL FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 130,541	\$ (16)	\$	\$ 11	\$ (5,906)	\$ 3,106	\$ 134,670	\$ 44,757	\$ 127,070	\$ 434,233

See accompanying notes to financial statements.

EXHIBIT X-5

COUNTY OF NASSAU, NEW YORK

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007 (Dollars in Thousands)**

	General Fund	NIFA General Fund	Debt Service Fund	Fire Prevention, Safety, Communication and Education Fund	County Parks and Recreation Fund	Police District Fund	Police Headquarters Fund	Sewer and Storm Water District Fund	Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:											
Interest and Penalties on Taxes	\$ 21,865	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 21,865
Licenses and Permits	7,790					1,705	1,085				10,580
Fines and Forfeits	22,161					99	6			1,330	23,596
Interest Income	13,846	1,709		18		1,557	341	6,736	5,390	8,500	38,097
Rents and Recoveries	24,017			4		136	1,138	43		343	25,681
Tobacco Settlement Revenue	23,800										23,800
Tobacco Proceeds	14,500										14,500
Tobacco Receipts										21,053	21,053
Departmental Revenue	86,942			5,036		3,381	18,430	1,113		2,586	97,488
Interdepartmental Revenue	121,337					293	11,382	390		349	133,751
Federal Aid	111,892						221		11,759	47,955	171,827
State Aid	192,051			180			1,353		8,098	43,955	245,637
Sales Tax	778,483	170,454									948,937
Preempted Sales Tax in Lieu of Property Taxes	61,629										61,629
Property Taxes	129,220			15,699		331,640	287,070	118,934		4,128	886,691
Payments in Lieu of Taxes	7,356										7,356
Special Taxes	10,358						23,296			4,027	37,681
Other Revenues	9,746		19,281	27		1,334	1,967	252	17,099	890	50,496
Total Revenues	1,616,793	172,163	19,281	20,964		340,145	346,189	127,468	42,348	135,116	2,820,465
EXPENDITURES:											
Current:											
Legislative	9,781										9,781
Judicial	46,304									2,968	49,272
General Administration	227,812	1,244								27,125	256,181
Protection of Persons	13,711			19,846		350,404	330,017			7,951	721,729
Health	216,106									47,484	263,590
Public Works	99,780							86,201		208	186,189
Recreation and Parks	40,863									784	41,647
Capital Outlay									124,129		124,129
Sewage Districts										18,456	18,456
Social Services	516,968									5,802	522,770
Corrections	218,509									2,799	221,308
Education	7,325										7,325
Payments for Tax Certiorari and Other Judgments	87,251										87,251
Other	116,883										116,883
Total Current	1,601,093	1,244		19,846		350,404	330,017	86,201	124,129	113,577	2,626,311
Debt Service:											
Principal			96,190					30,217		83,200	209,607
Interest			26,257					9,690		113,467	149,434
Financing Costs			994								994
Total Debt Service			123,441					39,907		196,687	360,035
Total Expenditures	1,601,093	1,244	123,441	19,846		350,404	330,017	126,108	124,129	310,264	2,986,346
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,700	170,919	(104,160)	1,318		(10,259)	16,172	1,360	(81,783)	(175,148)	(165,881)
OTHER FINANCING SOURCES (USES):											
Other Financing Sources - Premium			1,055								1,055
Other Financing Sources - EFC drawdowns										356	356
Other Financing Uses - Funding of Residual Trust										(21,073)	(21,073)
Transfers In	176,372		272,359								448,731
Transfers In of Investment Income	5,390							1,294			6,684
Transfers Out	(221,138)		(169,254)	(1,245)	(3,482)	(194)	(6,349)	(7,030)	(38,960)	(1,079)	(446,731)
Transfers Out of Investment Income									(5,390)	(1,294)	(6,684)
Transfers In from NIFA	6,289	4,982							28,497	168,582	208,350
Transfers Out to NIFA		(174,940)								(33,410)	(206,350)
Transfers In from SFA								47,306		283,134	330,440
Transfers Out to SFA										(330,440)	(330,440)
Issuance of Debt	13,548								61,014		74,562
Total Other Financing Sources (Uses)	(19,539)	(169,958)	104,160	(1,245)	(3,482)	(194)	(5,349)	41,570	45,161	64,776	54,900
NET CHANGE IN FUND BALANCES	(3,839)	961		73	(3,482)	(10,453)	9,823	42,930	(36,622)	(110,372)	(110,981)
TOTAL FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	142,153	586		(111)	3,482	17,184	(8,882)	127,666	15,715	108,929	404,724
TOTAL FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 138,314	\$ 1,549	\$	\$ (38)	\$	\$ 6,731	\$ 941	\$ 170,596	\$ (20,907)	\$ (3,443)	\$ 293,743

See accompanying notes to financial statements.

EXHIBIT X-6

COUNTY OF NASSAU, NEW YORK

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008 (Dollars in Thousands)**

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

Net change in fund balances - total governmental funds		\$	140,490
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period			
Purchase of capital assets	\$	195,276	
Depreciation expense		(111,531)	
Other		(13,256)	70,489
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, 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.			
Effect of GASB 45 and GASB 48 (net)		(113,717)	
Proceeds from sales of bonds		(1,173,343)	
Proceeds from sales of BANs		(50,757)	
Principal payments of bonds and payments for refunded bonds		994,609	
Accrued interest payable		1,930	
Additions to and amortization of debt issuance costs		(1,263)	
Amortized deferred liabilities		20,254	
Change in long-term liabilities		(180,484)	
			<u>(502,771)</u>
Change in net assets - governmental activities		\$	<u>(291,792)</u>

See accompanying notes to financial statements.

EXHIBIT X-6

COUNTY OF NASSAU, NEW YORK

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007 (Dollars in Thousands)**

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

Net change in fund balances - total governmental funds \$ (110,981)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period

Purchase of capital assets	\$ 177,423	
Depreciation expense	(111,248)	
Other	<u>(80,192)</u>	(14,017)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, 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.

Implementation of GASB 45 and GASB 48 (net)	(2,978,964)	
Proceeds from sales of bonds	(74,663)	
Principal payments of bonds	209,607	
Accrued interest payable	(212)	
Amortized debt issuance costs	(8,242)	
Amortized deferred liabilities	6,092	
Payment of component unit debt costs	(2,791)	
Change in long-term liabilities	11,625	
Other	<u>(355)</u>	<u>(2,837,903)</u>

Change in net assets - governmental activities \$ (2,962,901)

See accompanying notes to financial statements.

EXHIBIT X-7

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Interest and Penalties on Taxes	\$ 22,500	\$ 25,301	\$ 26,423	\$	\$ 26,423	\$ 1,122
Licenses and Permits	7,509	7,509	7,515		7,515	6
Fines and Forfeits	26,571	26,571	21,936		21,936	(4,635)
Interest Income	23,455	23,455	6,333		6,333	(17,122)
Rents and Recoveries	29,031	30,296	28,757	(140)	28,617	(1,679)
Tobacco Settlement Revenue	23,000	23,000	23,000		23,000	
Tobacco Proceeds		91,126				(91,126)
Departmental Revenue	71,119	71,119	62,246		62,246	(8,873)
Interdepartmental Revenue	154,270	154,280	125,872		125,872	(28,408)
Federal Aid	119,969	120,109	109,579		109,579	(10,530)
State Aid	219,954	221,096	201,007		201,007	(20,089)
Sales Tax	978,174	978,174	754,792		754,792	(223,382)
Preempted Sales Tax in Lieu of Property Taxes	64,384	64,384	62,429		62,429	(1,955)
Property Taxes	145,858	145,858	150,691		150,691	4,833
Payments in Lieu of Taxes	6,306	6,306	4,154		4,154	(2,152)
Special Taxes	10,780	10,780	9,831		9,831	(949)
Other Revenues	12,185	12,186	9,036	(11,570)	(2,534)	(14,720)
Total Revenues	1,915,065	2,011,550	1,603,601	(11,710)	1,591,891	(419,659)
Expenditures:						
Current:						
Legislative	11,964	12,085	10,118	448	10,566	1,519
Judicial	52,888	52,399	49,998	394	50,392	2,007
General Administration	254,399	252,056	217,187	9,025	226,212	25,844
Protection of Persons	14,489	14,248	13,238	51	13,289	959
Health	259,517	259,000	214,808	18,382	233,190	25,810
Public Works	112,635	109,966	93,589	3,087	96,676	13,290
Recreation and Parks	40,108	40,057	34,244	2,735	36,979	3,078
Social Services	558,542	559,764	518,409	18,057	536,466	23,298
Corrections	241,277	235,987	205,186	20,330	225,516	10,471
Education	19,922	22,722	8,656		8,656	14,066
Payments for Tax Certiorari and Other Judgments	40,000	40,000	115,717	(75,763)	39,954	46
Other	131,845	222,251	123,649	(14,502)	109,147	113,104
Total Expenditures	1,737,586	1,820,535	1,604,799	(17,756)	1,587,043	233,492
Excess (Deficiency) of Revenues Over (Under) Expenditures	177,479	191,015	(1,198)	6,046	4,848	(186,167)
Other Financing Sources (Uses):						
Transfers In			188,720		188,720	188,720
Transfers In of Investment Income			3,926		3,926	3,926
Transfers Out	(286,815)	(300,351)	(269,778)		(269,778)	30,573
Deposited with Escrow Agent for Defeasance			(21,585)		(21,585)	(21,585)
Transfer In from NIFA			3,109		3,109	3,109
Issuance of Notes			50,757	(50,757)		
Issuance of Bonds			38,276	(16,691)	21,585	21,585
Total Other Financing Sources (Uses)	(286,815)	(300,351)	(6,575)	(67,448)	(74,023)	226,328
Net Change in Fund Balance	(109,336)	(109,336)	(7,773)	(61,402)	(69,175)	40,161
Fund Balance (Deficit) at Beginning of Year	109,336	109,336	138,314		138,314	28,978
Fund Balance (Deficit) at End of Year	\$	\$	\$ 130,541	\$ (61,402)	\$ 69,139	\$ 69,139

See accompanying notes to financial statements.

EXHIBIT X-7

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007 (Dollars in Thousands)**

	<u>Original Budget</u>	<u>Total Budgetary Authority</u>	<u>Actual</u>	<u>GAAP to Budgetary Basis Conversion (Note 12)</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance Over (Under)</u>
Revenues:						
Interest and Penalties on Taxes	\$ 24,650	\$ 24,650	\$ 21,865	\$	\$ 21,865	\$ (2,785)
Licenses and Permits	10,642	10,642	7,790		7,790	(2,852)
Fines and Forfeits	24,497	24,497	22,161		22,161	(2,336)
Interest Income	19,601	19,601	13,846		13,846	(5,755)
Rents and Recoveries	27,814	27,909	24,017	(337)	23,680	(4,229)
Tobacco Settlement Revenue	23,600	23,600	23,600		23,600	
Tobacco Proceeds		14,500	14,500		14,500	
Departmental Revenue	65,718	65,718	66,942		66,942	1,224
Interdepartmental Revenue	149,500	150,464	121,337		121,337	(29,127)
Federal Aid	111,129	111,278	111,892		111,892	614
State Aid	194,773	195,806	192,051		192,051	(3,755)
Sales Tax	968,142	968,142	778,483		778,483	(189,659)
Preempted Sales Tax in Lieu of Property Taxes	62,772	62,772	61,629		61,629	(1,143)
Property Taxes	123,962	123,962	129,220		129,220	5,258
Payments in Lieu of Taxes	5,914	5,914	7,356		7,356	1,442
Special Taxes	10,471	10,471	10,358		10,358	(113)
Other Revenues	11,095	11,545	9,746	(3,772)	5,974	(5,571)
Total Revenues	1,834,280	1,851,471	1,616,793	(4,109)	1,612,684	(238,787)
Expenditures:						
Current:						
Legislative	11,784	11,591	9,781	478	10,259	1,332
Judicial	48,153	47,696	46,304	468	46,772	924
General Administration	261,019	262,272	227,812	13,799	241,611	20,661
Protection of Persons	13,728	14,151	13,711	59	13,770	381
Health	245,079	248,950	216,106	15,143	231,249	17,701
Public Works	114,883	113,212	99,780	2,683	102,463	10,749
Recreation and Parks	43,065	43,996	40,863	3,085	43,948	48
Social Services	555,955	556,442	516,968	20,881	537,849	18,593
Corrections	220,050	234,370	218,509	14,382	232,891	1,479
Education	14,009	9,061	7,325		7,325	1,736
Payments for Tax Certiorari and Other Judgments	25,000	73,544	87,251	(13,707)	73,544	
Other	118,983	127,901	116,683	(14,538)	102,145	25,756
Total Expenditures	1,671,708	1,743,186	1,601,093	42,733	1,643,826	99,360
Excess (Deficiency) of Revenues Over (Under) Expenditures	162,572	108,285	15,700	(46,842)	(31,142)	(139,427)
Other Financing Sources (Uses):						
Transfers In			176,372		176,372	176,372
Transfers In of Investment Income			5,390		5,390	5,390
Transfers Out	(253,941)	(224,654)	(221,138)		(221,138)	3,516
Transfer In from NIFA			6,289	(133)	6,156	6,156
Issuance of Debt			13,548	(13,548)		
Total Other Financing Sources (Uses)	(253,941)	(224,654)	(19,539)	(13,681)	(33,220)	191,434
Net Change in Fund Balance	(91,369)	(116,369)	(3,839)	(60,523)	(64,362)	52,007
Fund Balance (Deficit) at Beginning of Year	91,369	116,369	142,153		142,153	25,784
Fund Balance (Deficit) at End of Year	\$	\$	\$ 138,314	\$ (60,523)	\$ 77,791	\$ 77,791

See accompanying notes to financial statements.

EXHIBIT X-8

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
FIRE PREVENTION, SAFETY, COMMUNICATION AND EDUCATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2008 (Dollars in Thousands)**

	<u>Original Budget</u>	<u>Total Budgetary Authority</u>	<u>Actual</u>	<u>GAAP to Budgetary Basis Conversion (Note 12)</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance Over (Under)</u>
Revenues:						
Rents and Recoveries	\$	\$	\$ 14	\$	\$ 14	\$ 14
Interest Income	60	60	5		5	(55)
Departmental Revenue	5,651	5,651	5,397		5,397	(254)
State Aid	150	150	195		195	45
Property Taxes	15,555	15,555	15,555		15,555	
Other Revenues	26	26	26	(26)		(26)
Total Revenues	<u>21,442</u>	<u>21,442</u>	<u>21,192</u>	<u>(26)</u>	<u>21,166</u>	<u>(276)</u>
Expenditures:						
Current:						
Protection of Persons	<u>21,066</u>	<u>21,898</u>	<u>21,237</u>	<u>(15)</u>	<u>21,222</u>	<u>676</u>
Total Expenditures	<u>21,066</u>	<u>21,898</u>	<u>21,237</u>	<u>(15)</u>	<u>21,222</u>	<u>676</u>
Excess of Revenues Over Expenditures	<u>376</u>	<u>(456)</u>	<u>(45)</u>	<u>(11)</u>	<u>(56)</u>	<u>400</u>
Other Financing Uses:						
Transfers In		832	832		832	
Transfers Out	<u>(489)</u>	<u>(489)</u>	<u>(738)</u>		<u>(738)</u>	<u>(249)</u>
Total Other Financing Sources (Uses)	<u>(489)</u>	<u>343</u>	<u>94</u>		<u>94</u>	<u>(249)</u>
Net Change in Fund Balance	<u>(113)</u>	<u>(113)</u>	<u>49</u>	<u>(11)</u>	<u>38</u>	<u>151</u>
Fund Balance (Deficit) at Beginning of Year	<u>113</u>	<u>113</u>	<u>(38)</u>		<u>(38)</u>	<u>(151)</u>
Fund Balance (Deficit) at End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 11</u>	<u>\$ (11)</u>	<u>\$</u>	<u>\$</u>

See accompanying notes to financial statements.

EXHIBIT X-8

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
FIRE PREVENTION, SAFETY, COMMUNICATION AND EDUCATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007 (Dollars in Thousands)**

	<u>Original Budget</u>	<u>Total Budgetary Authority</u>	<u>Actual</u>	<u>GAAP to Budgetary Basis Conversion (Note 12)</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance Over (Under)</u>
Revenues:						
Rents and Recoveries	\$	\$	\$ 4	\$	\$ 4	\$ 4
Interest Income			18		18	18
Departmental Revenue	5,364	5,364	5,036		5,036	(328)
State Aid	120	170	180		180	10
Property Taxes	15,699	15,699	15,699		15,699	
Other Revenues			27	(27)		
Total Revenues	<u>21,183</u>	<u>21,233</u>	<u>20,964</u>	<u>(27)</u>	<u>20,937</u>	<u>(296)</u>
Expenditures:						
Current:						
Protection of Persons	<u>20,646</u>	<u>20,099</u>	<u>19,646</u>	<u>(65)</u>	<u>19,581</u>	<u>518</u>
Total Expenditures	<u>20,646</u>	<u>20,099</u>	<u>19,646</u>	<u>(65)</u>	<u>19,581</u>	<u>518</u>
Excess of Revenues Over Expenditures	<u>537</u>	<u>1,134</u>	<u>1,318</u>	<u>38</u>	<u>1,356</u>	<u>222</u>
Other Financing Uses:						
Transfers Out	<u>(649)</u>	<u>(1,245)</u>	<u>(1,245)</u>		<u>(1,245)</u>	
Total Other Financing Sources (Uses)	<u>(649)</u>	<u>(1,245)</u>	<u>(1,245)</u>		<u>(1,245)</u>	
Net Change in Fund Balance	<u>(112)</u>	<u>(111)</u>	<u>73</u>	<u>38</u>	<u>111</u>	<u>222</u>
Fund Balance (Deficit) at Beginning of Year	<u>112</u>	<u>111</u>	<u>(111)</u>		<u>(111)</u>	<u>(222)</u>
Fund Balance (Deficit) at End of Year	<u>\$</u>	<u>\$</u>	<u>\$ (38)</u>	<u>\$ 38</u>	<u>\$</u>	<u>\$</u>

See accompanying notes to financial statements.

EXHIBIT X-9

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
COUNTY PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007 (Dollars in Thousands)**

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	\$	\$	\$	\$	\$	\$
Licenses and Permits						
Interest Income						
Departmental Revenue						
Property Taxes						
Special Taxes						
Other Revenues						
Total Revenues						
Expenditures:						
Current:						
Recreation and Parks						
Total Expenditures						
Excess (Deficiency) of Revenues Over (Under) Expenditures						
Other Financing Sources (Uses):						
Transfers In						
Transfers Out			(3,482)		(3,482)	(3,482)
Total Other Financing Uses			(3,482)		(3,482)	(3,482)
Net Change in Fund Balance			(3,482)		(3,482)	(3,482)
Fund Balance (Deficit) at Beginning of Year			3,482		3,482	3,482
Fund Balance (Deficit) at End of Year	\$	\$	\$	\$	\$	\$

See accompanying notes to financial statements.

EXHIBIT X-10

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008 (Dollars in Thousands)**

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	\$ 150	\$ 150	\$ 277		\$ 277	\$ 127
Licenses and Permits	2,150	2,150	1,511		1,511	(639)
Fines and Forfeits	475	475	83		83	(392)
Interest Income	120	120	592		592	472
Departmental Revenue	3,188	3,188	3,374		3,374	186
Interdepartmental Revenue	440	440	377		377	(63)
Property Taxes	332,326	332,326	332,326		332,326	
Other Revenue	1,062	1,062	1,312	(1,312)		(1,062)
Total Revenues	339,911	339,911	339,852	(1,312)	338,540	(1,371)
Expenditures:						
Current:						
Protection of Persons	351,048	358,948	352,374	(12,221)	340,153	18,795
Total Expenditures	351,048	358,948	352,374	(12,221)	340,153	18,795
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,137)	(19,037)	(12,522)	10,909	(1,613)	17,424
Other Financing Sources (Uses):						
Transfers In	10,408	10,408				(10,408)
Transfer Out	(119)	(119)	(115)		(115)	4
Total Other Financing Sources (Uses)	10,289	10,289	(115)		(115)	(10,404)
Net Change in Fund Balance	(848)	(8,748)	(12,637)	10,909	(1,728)	7,020
Fund Balance (Deficit) at Beginning of Year	848	8,748	6,731		6,731	(2,017)
Fund Balance (Deficit) at End of Year	\$	\$	\$ (5,906)	\$ 10,909	\$ 5,003	\$ 5,003

See accompanying notes to financial statements.

EXHIBIT X-10

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TOTAL BUDGETARY AUTHORITY AND ACTUAL
 POLICE DISTRICT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Rents and Recoveries	\$ 150	\$ 150	\$ 136	\$	\$ 136	\$ (14)
Licenses and Permits	1,792	1,792	1,705		1,705	(87)
Fines and Forfeits	110	110	99		99	(11)
Interest Income	117	117	1,557		1,557	1,440
Departmental Revenue	3,188	3,188	3,381		3,381	193
Interdepartmental Revenue	127	127	293		293	166
Property Taxes	331,640	331,640	331,640		331,640	
Other Revenue	1,038	1,038	1,334	(1,334)		(1,038)
Total Revenues	338,162	338,162	340,145	(1,334)	338,811	649
Expenditures:						
Current:						
Protection of Persons	349,793	355,094	350,404	(6,752)	343,652	11,442
Total Expenditures	349,793	355,094	350,404	(6,752)	343,652	11,442
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,631)	(16,932)	(10,259)	5,418	(4,841)	12,091
Other Financing Sources (Uses):						
Transfers In	9,153	9,153				(9,153)
Transfer Out	(197)	(197)	(194)		(194)	3
Total Other Financing Sources (Uses)	8,956	8,956	(194)		(194)	(9,150)
Net Change in Fund Balance	(2,675)	(7,976)	(10,453)	5,418	(5,035)	2,941
Fund Balance (Deficit) at Beginning of Year	2,675	7,976	17,184		17,184	9,208
Fund Balance (Deficit) at End of Year	\$	\$	\$ 6,731	\$ 5,418	\$ 12,149	\$ 12,149

See accompanying notes to financial statements.

EXHIBIT X-11

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TOTAL BUDGETARY AUTHORITY AND ACTUAL
 POLICE HEADQUARTERS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2008 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion (Note 12)	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Licenses and Permits	\$ 1,345	\$ 1,345	\$ 884	\$	\$ 884	\$ (461)
Rents and Recoveries	200	200	147		147	(53)
Interest Income	129	129	35		35	(94)
Departmental Revenue	17,452	17,452	17,697		17,697	245
Interdepartmental Revenue	15,643	15,643	10,989		10,989	(4,654)
Federal Aid	428	428	466		466	38
State Aid	862	862	1,485		1,485	623
Property Taxes	279,632	279,632	279,632		279,632	
Special Taxes	23,453	23,453	21,895		21,895	(1,558)
Other Revenues	1,477	1,477	1,800	(1,800)		(1,477)
Total Revenues	340,621	340,621	335,030	(1,800)	333,230	(7,391)
Expenditures:						
Current:						
Protection of Persons	339,561	350,501	342,709	1,306	344,015	6,486
Total Expenditures	339,561	350,501	342,709	1,306	344,015	6,486
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,060	(9,880)	(7,679)	(3,106)	(10,785)	(905)
Other Financing Sources (Uses):						
Transfers In		10,940	13,536		13,536	2,596
Transfers Out	(3,349)	(3,349)	(3,692)		(3,692)	(343)
Total Other Financing Sources (Uses)	(3,349)	7,591	9,844		9,844	2,253
Net Change in Fund Balance	(2,289)	(2,289)	2,165	(3,106)	(941)	1,348
Fund Balance (Deficit) at Beginning of Year	2,289	2,289	941		941	(1,348)
Fund Balance (Deficit) at End of Year	\$	\$	\$ 3,106	\$ (3,106)	\$	\$

See accompanying notes to financial statements.

EXHIBIT X-11

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE HEADQUARTERS FUND
FOR THE YEAR ENDED DECEMBER 31, 2007 (Dollars in Thousands)**

	<u>Original Budget</u>	<u>Total Budgetary Authority</u>	<u>Actual</u>	<u>GAAP to Budgetary Basis Conversion (Note 12)</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance Over (Under)</u>
Revenues:						
Licenses and Permits	\$ 1,070	\$ 1,070	\$ 1,085	\$	\$ 1,085	\$ 15
Fines and Forfeits			6		6	6
Rents and Recoveries	200	200	1,138		1,138	938
Interest Income	125	125	341		341	216
Departmental Revenue	15,722	15,722	18,430		18,430	2,708
Interdepartmental Revenue	15,239	15,239	11,382		11,382	(3,857)
Federal Aid	428	428	221		221	(207)
State Aid	589	589	1,353		1,353	764
Property Taxes	287,070	287,070	287,070		287,070	
Special Taxes	23,453	23,453	23,296		23,296	(157)
Other Revenues	1,442	1,442	1,867	(1,829)	38	(1,404)
Total Revenues	345,338	345,338	346,189	(1,829)	344,360	(978)
Expenditures:						
Current:						
Protection of Persons	345,487	344,809	330,017	(888)	329,129	15,680
Total Expenditures	345,487	344,809	330,017	(888)	329,129	15,680
Excess (Deficiency) of Revenues Over (Under) Expenditures	(149)	529	16,172	(941)	15,231	14,702
Other Financing Sources (Uses):						
Transfers In		2,600				(2,600)
Transfers Out	(3,071)	(6,349)	(6,349)		(6,349)	
Total Other Financing Sources (Uses)	(3,071)	(3,749)	(6,349)		(6,349)	(2,600)
Net Change in Fund Balance	(3,220)	(3,220)	9,823	(941)	8,882	12,102
Fund Balance (Deficit) at Beginning of Year	3,220	3,220	(8,882)		(8,882)	(12,102)
Fund Balance (Deficit) at End of Year	\$	\$	\$ 941	\$ (941)	\$	\$

See accompanying notes to financial statements.

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TOTAL BUDGETARY AUTHORITY AND ACTUAL
SEWER & STORM WATER DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis	Variance Over (Under)
Revenues:						
Licenses and Permits	\$ 216	\$ 216	\$ 266	\$	\$ 266	\$ 50
Rents and Recoveries	471	471	252		252	(219)
Interest Income	6,000	6,000	2,807		2,807	(3,193)
Departmental Revenue	1,464	1,464	1,935		1,935	471
Interdepartmental Revenue	479	479	836		836	357
Interfund Revenue	12,280	12,280				(12,280)
Property Taxes	103,932	103,932	103,940		103,940	8
Other Revenues			156	(156)		
Total Revenues	<u>124,842</u>	<u>124,842</u>	<u>110,192</u>	<u>(156)</u>	<u>110,036</u>	<u>(14,806)</u>
Expenditures:						
Current:						
Public Works	<u>177,450</u>	<u>177,451</u>	<u>125,708</u>	<u>5,114</u>	<u>130,822</u>	<u>46,629</u>
Total Expenditures	<u>177,450</u>	<u>177,451</u>	<u>125,708</u>	<u>5,114</u>	<u>130,822</u>	<u>46,629</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(52,608)</u>	<u>(52,609)</u>	<u>(15,516)</u>	<u>(5,270)</u>	<u>(20,786)</u>	<u>31,823</u>
Other Financing Sources (Uses):						
Transfers In of Investment Income			218		218	218
Transfers Out	(10,939)		(6,836)		(6,836)	(6,836)
Transfers Out to SFA			(13,792)		(13,792)	(13,792)
Total Other Financing Sources (Uses)	<u>(10,939)</u>		<u>(20,410)</u>		<u>(20,410)</u>	<u>(20,410)</u>
Net Change in Fund Balance	(63,547)	(52,609)	(35,926)	(5,270)	(41,196)	11,413
Fund Balance (Deficit) at Beginning of Year	<u>63,547</u>	<u>52,609</u>	<u>170,596</u>		<u>170,596</u>	<u>117,987</u>
Fund Balance (Deficit) at End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 134,670</u>	<u>\$ (5,270)</u>	<u>\$ 129,400</u>	<u>\$ 129,400</u>

See accompanying notes to financial statements.

COUNTY OF NASSAU, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TOTAL BUDGETARY AUTHORITY AND ACTUAL
SEWER & STORM WATER DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007 (Dollars in Thousands)

	<u>Original Budget</u>	<u>Total Budgetary Authority</u>	<u>Actual</u>	<u>GAAP to Budgetary Basis Conversion</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance Over (Under)</u>
Revenues:						
Rents and Recoveries	\$ 288	\$ 288	\$ 43	\$	\$ 43	\$ (245)
Interest Income	1,067	1,067	6,736		6,736	5,669
Departmental Revenue	1,656	1,656	1,113		1,113	(543)
Interdepartmental Revenue	463	463	390		390	(73)
Interfund Revenue	16,985	16,985				(16,985)
Property Taxes	118,932	118,932	118,934		118,934	2
Other Revenues			252	(143)	109	109
Total Revenues	<u>139,391</u>	<u>139,391</u>	<u>127,468</u>	<u>(143)</u>	<u>127,325</u>	<u>(12,066)</u>
Expenditures:						
Current:						
Public Works	<u>174,320</u>	<u>174,321</u>	<u>126,108</u>	<u>8,479</u>	<u>134,587</u>	<u>39,734</u>
Total Expenditures	<u>174,320</u>	<u>174,321</u>	<u>126,108</u>	<u>8,479</u>	<u>134,587</u>	<u>39,734</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(34,929)</u>	<u>(34,930)</u>	<u>1,360</u>	<u>(8,622)</u>	<u>(7,262)</u>	<u>27,668</u>
Other Financing Sources (Uses):						
Transfers In of Investment Income	703	703	1,294		1,294	591
Transfers Out	(6,293)		(7,030)		(7,030)	(7,030)
Transfers In from SFA			47,306		47,306	47,306
Total Other Financing Sources (Uses)	<u>(5,590)</u>	<u>703</u>	<u>41,570</u>		<u>41,570</u>	<u>40,867</u>
Net Change in Fund Balance	(40,519)	(34,227)	42,930	(8,622)	34,308	68,535
Fund Balance (Deficit) at Beginning of Year	<u>40,519</u>	<u>34,227</u>	<u>127,666</u>		<u>127,666</u>	<u>93,439</u>
Fund Balance (Deficit) at End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 170,596</u>	<u>\$ (8,622)</u>	<u>\$ 161,974</u>	<u>\$ 161,974</u>

See accompanying notes to financial statements.

EXHIBIT X-13

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2008 (Dollars in Thousands)**

AGENCY FUND

	Balance December 31, <u>2008</u>
<u>ASSETS:</u>	
Cash	\$ 86,770
Due From Component Unit	<u>3,912</u>
TOTAL ASSETS	<u>\$ 90,682</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 208
Other Liabilities	<u>90,474</u>
TOTAL LIABILITIES	<u>\$ 90,682</u>

See accompanying notes to financial statements.

EXHIBIT X-13

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2007 (Dollars in Thousands)**

AGENCY FUND

	Balance December 31, <u>2007</u>
<u>ASSETS:</u>	
Cash	\$ 100,944
Due From Component Unit	<u>956</u>
TOTAL ASSETS	<u>\$ 101,900</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 3,895
Other Liabilities	<u>98,005</u>
TOTAL LIABILITIES	<u>\$ 101,900</u>

See accompanying notes to financial statements.

EXHIBIT X-14

COUNTY OF NASSAU, NEW YORK

STATEMENT OF NET ASSETS
 ALL DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 2008 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2008)
 (Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Total
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	\$ 46,430	\$ 4,978	\$ 12,693	\$ 5,180	\$ 69,281
Assets Whose Use is Limited - Current		18,246			18,246
Student Accounts and Loans Receivable	7,802				7,802
Less Allowance for Doubtful Amounts	(2,557)				(2,557)
Due from Other Governments	4,148				4,148
Other Receivables	610	4,823			5,434
Accounts Receivable		326,441	204	26	326,671
Less Allowance for Doubtful Amounts		(217,251)			(217,251)
Inventories		5,579			5,579
Other Assets - Current	2,329	15,722	598	9	18,658
Total Current Assets	58,762	158,538	13,495	5,216	236,011
NON CURRENT ASSETS:					
Deferred Financing Costs	2,838	5,107	532		8,475
Less Accumulated Amortization	(1,378)	(1,325)	(124)		(2,827)
Assets Whose Use is Limited		58,149			58,149
Capital Assets Not Being Depreciated	3,641	12,498	2,288		18,427
Depreciable Capital Assets	205,225	430,962	37,530	72	673,789
Less Accumulated Depreciation	(104,214)	(308,404)	(17,495)	(62)	(430,175)
Deposits Held by Trustees	11,027				11,027
Deposits Held in Custody for Others	1,638				1,638
Other Assets		8,344			8,344
Total Non Current Assets	118,775	205,331	22,731	10	346,847
Total Assets	177,537	363,869	36,226	5,226	582,858
LIABILITIES					
CURRENT LIABILITIES:					
Accounts Payable	4,478	32,834	3,255	82	40,647
Accrued Liabilities		17,487	6,872		24,359
Accrued Interest Payable		1,923			1,923
Notes Payable - Current			52		52
Due To Primary Government	1,784	2,931	430		5,145
Deferred Revenue	18,101			78	18,179
Current Portion of Long Term Liabilities	4,959	2,065	1,455		8,479
Other Liabilities	2,128	4,986	1,720		8,835
Total Current Liabilities	31,449	62,226	13,784	160	107,619
NON CURRENT LIABILITIES:					
Notes Payable			189		189
Serial Bonds Payable	38,379	232,864	15,990		287,233
Accrued Vacation and Sick Pay	47,971	37,224		52	85,247
Estimated Liability for Litigation	2,500	38,356			40,856
Deposits Held in Custody for Others	1,838				1,838
Insurance Reserve Liability	1,944				1,944
Deferred Bond Premium (Net of Amortization)	2,270				2,270
Liability for Future Pension Expense	1,334	1,052			2,386
Postemployment Retirement Benefits Liability	277,848	79,221	44,958		402,027
Other Liabilities		46,188			46,188
Total Non Current Liabilities	373,884	434,905	61,137	52	869,978
Total Liabilities	405,333	497,131	74,921	212	977,597
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	62,682	53,056	3,533	10	119,281
Restricted:					
General		1,651			1,651
Special Revenue					
Nassau Community College Foundation Fund					
Donor Imposed Stipulations	1,124				1,124
Direct Scholarships	82				82
Restricted Scholarships	982				982
Capital Projects	2,883				2,883
Debt Service	11,027		5,093		16,120
Student Loans	508				508
Unrestricted (deficit)	(307,084)	(187,969)	(47,321)	5,004	(537,370)
Total Net Assets (deficit)	\$ (227,796)	\$ (133,262)	\$ (38,695)	\$ 5,014	\$ (384,739)

See accompanying notes to financial statements.

EXHIBIT X-14

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF NET ASSETS
ALL DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2007 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2007)
(Dollars in Thousands)**

	<u>Nassau Community College</u>	<u>Nassau Health Care Corporation</u>	<u>Nassau Regional Off-Track Betting Corp.</u>	<u>Nassau County Industrial Development Agency</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	\$ 43,138	\$ 5,736	\$ 11,427	\$ 6,041	\$ 66,342
Assets Whose Use is Limited - Current		32,632			32,632
Student Accounts and Loans Receivable	6,933				6,933
Less Allowance for Doubtful Amounts	(3,131)				(3,131)
Due from Other Governments	3,335				3,335
Due from Primary Government	1,767	2,962			4,729
Other Receivables	110	4,054		5	4,169
Accounts Receivable		269,636	140	28	269,804
Less Allowance for Doubtful Amounts		(172,507)			(172,507)
Inventories		5,269			5,269
Other Assets - Current	765	13,919	603	15	15,302
Total Current Assets	52,917	161,701	12,170	6,089	232,877
NON CURRENT ASSETS:					
Deferred Financing Costs	2,836	4,781	532		8,149
Less Accumulated Amortization	(1,184)	(962)	(89)		(2,235)
Assets Whose Use is Limited		50,831			50,831
Capital Assets Not Being Depreciated	3,637	12,498	2,230		18,365
Depreciable Capital Assets	201,282	402,084	37,074	70	640,510
Less Accumulated Depreciation	(99,646)	(294,682)	(15,419)	(57)	(409,804)
Leasehold Acquisition Costs					
Less Accumulated Amortization					
Deposits Held by Trustees	10,908				10,908
Deposits Held in Custody for Others	3,081				3,081
Other Assets		8,292			8,292
Total Non Current Assets	120,914	182,842	24,328	13	328,097
Total Assets	173,831	344,543	36,498	6,102	560,974
LIABILITIES					
CURRENT LIABILITIES:					
Accounts Payable	8,347	32,200	1,806	75	42,428
Accrued Liabilities		15,071	4,712		19,783
Accrued Interest Payable		1,144			1,144
Notes Payable - Current			49		49
Due To Primary Government	4,585		703		5,288
Due To Other Governments					
Deferred Revenue	17,917			84	18,001
Bond Anticipation Notes	947				947
Current Portion of Long Term Liabilities	3,167	2,390	1,455		7,012
Other Liabilities	601		1,735		2,336
Total Current Liabilities	35,564	50,805	10,460	159	96,988
NON CURRENT LIABILITIES:					
Notes Payable			241		241
Serial Bonds Payable	37,585	264,549	17,445		319,579
Accrued Vacation and Sick Pay	45,317	32,241		33	77,591
Estimated Liability for Litigation	2,500	42,161			44,661
Deposits Held in Custody for Others	2,643				2,643
Insurance Reserve Liability	1,873				1,873
Deferred Bond Premium (Net of Amortization)	2,408				2,408
Liability for Future Pension Expense	1,334	14,536			15,870
Postemployment Retirement Benefits Liability	262,281	40,908	43,828		347,017
Other Liabilities		20,523			20,523
Total Non Current Liabilities	355,941	414,918	61,514	33	832,406
Total Liabilities	391,505	465,723	71,974	192	929,394
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	68,291	58,673	4,714	13	131,691
Restricted:					
Special Revenue					
Donor Imposed Stipulations	1,377				1,377
Direct Scholarships	95				95
Restricted Scholarships	941				941
Capital Projects	918				918
Debt Service	10,908		3,638		14,546
Student Loans	505				505
Unrestricted (deficit)	(300,709)	(179,853)	(43,828)	5,897	(518,493)
Total Net Assets (deficit)	\$ (217,674)	\$ (121,180)	\$ (35,476)	\$ 5,910	\$ (368,420)

See accompanying notes to financial statements.

COUNTY OF NASSAU, NEW YORK

STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY
FOR THE YEAR ENDED DECEMBER 31, 2008 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2008)
(Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Total
Expenses	\$ 212,424	\$ 585,966	\$ 73,584	\$ 2,207	\$ 874,181
Program Revenues:					
Charges for Services	58,100	531,913	66,458	1,189	657,660
Operating Grants and Contributions	141,717				141,717
Increase in Net Assets - Foundation		3,611			3,611
Capital Grants and Contributions		71,888	976		72,864
Total Program Revenues	199,817	607,412	67,434	1,189	875,852
Net (Expenses) Program Revenues	(12,607)	21,446	(6,150)	(1,018)	1,671
General Revenues (Expenses):					
Investment Income	2,579	2,396	235	122	5,332
Other	(94)	(35,924)	2,696		(33,322)
Net General Revenues (Expenses)	2,485	(33,528)	2,931	122	(27,990)
Change in Net Assets	(10,122)	(12,082)	(3,219)	(896)	(26,319)
Net Assets (Deficits) - Beginning of Year	(217,674)	(121,180)	(35,476)	5,910	(368,420)
Net Assets (Deficits) - End of Year	\$ (227,796)	\$ (133,262)	\$ (38,695)	\$ 5,014	\$ (394,739)

See accompanying notes to financial statements.

COUNTY OF NASSAU, NEW YORK

STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY
FOR THE YEAR ENDED DECEMBER 31, 2007 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2007)
(Dollars in Thousands)

	Nassau Community College	Nassau Health Care Corporation	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Total
Expenses	\$ 448,933	\$ 544,408	\$ 117,121	\$ 480	\$ 1,110,942
Program Revenues:					
Charges for Services	53,143	492,355	69,001	2,962	617,461
Operating Grants and Contributions	132,074				132,074
Capital Grants and Contributions		20,773	1,049		21,822
Total Program Revenues	185,217	513,128	70,050	2,962	771,357
Net (Expenses) Program Revenues	(263,716)	(31,280)	(47,071)	2,482	(339,585)
General Revenues (Expenses):					
Investment Income	693	4,709	473	187	6,062
Other	457	(9,515)	2,862		(6,196)
Net General Revenues (Expenses)	1,150	(4,806)	3,335	187	(134)
Change in Net Assets	(262,566)	(36,086)	(43,736)	2,669	(339,719)
Net Assets (Deficits) - Beginning of Year	44,892	(85,094)	8,260	3,241	(28,701)
Net Assets (Deficits) - End of Year	\$ (217,674)	\$ (121,180)	\$ (35,476)	\$ 5,910	\$ (368,420)

See accompanying notes to financial statements.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The County of Nassau (the "County"), incorporated in 1899, contains three towns, two cities and 64 incorporated villages. In conformance with the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, these financial statements present the County (the primary government) which includes all funds, elected offices, departments and agencies of the County, as well as boards and commissions, since the County is financially accountable for these and its legally separate component units. A primary government is financially accountable for a component unit if its officials appoint a voting majority of the organization's governing body, and it is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or the organization is fiscally dependent upon the primary government as defined by GASB No. 14. The Nassau County Interim Finance Authority ("NIFA") is included, because exclusion would be misleading. The County continuously assesses the need to include various organizations within the County whose status as a component unit may change due to financial dependence, legislative developments or level of influence the County may exercise over such entity.

Discretely Presented Component Units - Financial data of the County's component units that are not part of the primary government is reported in the component unit's column in the government-wide financial statements, to emphasize that these component units are legally separate from the County. They include the following:

- (a) *The Nassau Community College* (the "College") provides educational services under New York State Education Law. It is reported as a component unit - governmental as the County appoints its governing body, the County approves its budget, issues debt for College purposes and provides approximately 27% of the College's revenues through a Countywide real property tax levy. The College has authority to enter into contracts under New York State Education Law and to sue and be sued. The College is presented in accordance with policies prescribed by the Governmental Accounting Standards Board ("GASB"): Statement No.35, *Basic Financial Statements – and Management's Discussion and Analysis for Public Colleges and Universities*, and in accordance with the New York State Education Law. Therefore, the College is discretely presented. This component unit is presented as of and for its fiscal years ended August 31, 2008 and 2007.

Financial Reporting Entity – GASB Statement No. 39, an amendment of GASB Statement No. 14, was issued and became effective for the year ended August 31, 2006. This statement provided additional guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. As a result of this statement, the College's financial statements include two component units as of August 31, 2008 and 2007.

These financial statements present the College (the primary government) and its component units, the Nassau Community College Foundation, Inc. and the Faculty-Student Association of Nassau Community College, Inc. As defined in GASB Statement No. 39, component units are legally separate entities that are included in the College's reporting entity because of the significance of their operating or financial relationships with the College. The College has elected to include the financial statements of the component units, even though the amounts reported in the component units' financial statements are not significant to the reporting entity.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Discretely Presented Component Units (Continued)**

Each component unit is reported separately to emphasize that they are legally separate from the primary government. Each of the College's discretely presented component units has a fiscal year end of August 31st, the same as that of the College.

- (b) Nassau Health Care Corporation (the "NHCC") is a public benefit corporation created in 1997 by an act of the New York State Legislature for the purpose of acquiring and operating the health facilities of Nassau County, State of New York. Effective September 29, 1999 (the "Transfer Date"), a transaction was executed which transferred ownership of the County health facilities to the NHCC which included Nassau University Medical Center, A. Holly Patterson Extended Care Facility, Faculty Practice Plan, Nassau Health Care Foundation ("NHCF"), and the Health Centers. Concurrent with the transaction, \$259.7 million of Nassau Health Care Corporation Health System Revenue Bonds, Series 1999 were issued. During 2004, \$303.4 million of Nassau Health Care Corporation Bonds, Series 2005 were issued to refund the Corporation's Revenue Bond Series 1999, fund certain capital projects and provide working capital. The bonds are insured and guaranteed by the County. NHCC is fiscally dependent on the County should certain NHCC debt service reserve funds fall below their requirements. NHCC is considered to be a component unit of the County and is presented as a proprietary type component unit on the accrual basis of accounting. The Corporation accounts for its investment in the limited liability company using the equity method. A successor agreement (the "Successor Agreement") in 2007 clarifies the services provided by the Corporation to the County and establishes the mechanism for payments to the Corporation by the County and provides the Corporation with capital funding and is in effect until 2029.

In March 2008, the Corporation received approval from the New York State Department to amend the NHCF's certificate of incorporation. The NHCF's purpose was restated to be limited to supporting, maintaining, and otherwise benefiting and being responsive to the needs and objectives of the Corporation. In 2008, the Corporation consolidated the NHCF which increased net assets by approximately \$ 3.6 million.

The Board of the NHCC consists of fifteen voting and three nonvoting Directors. Eight voting Directors are appointed by the Governor, four by the County Legislature and three by the County Executive. The nonvoting Directors are the Chief Executive Officer of NHCC, one individual appointed by the County Executive and one individual appointed by the County Legislature. The directors serve staggered five-year terms. The County Executive selects one of the voting directors as Chairman of the Board.

- (c) The Nassau Regional Off-Track Betting Corporation (the "OTB") was created by the New York State Legislature as a public benefit corporation. It is reported as a component unit as the County Legislature appoints its governing body and receives 4.375% of winning wagers made at Nassau County racetracks and all net operating profits from OTB. These revenues are recorded in the County's General Fund. The OTB is shown as a proprietary type component unit, and is presented on the accrual basis of accounting for its fiscal years ended December 31, 2008 and 2007, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units (Continued)

In the Statement of Net Assets, OTB has reported an accumulated deficit of \$ 2,363,000 which is included in their unrestricted net deficit. Section 516 of the NYS Racing & Wagering Law dictates in subsection 2 that net revenue remaining to the Corporation after payment of all of the costs of the Corporation's functions shall be distributed to Nassau County. As such, any deficit the Corporation incurs during a given quarter becomes unrecoverable because the Law does not enable the Corporation to allocate accumulated deficits to future earnings.

- (d) The Nassau County Industrial Development Agency (the "NCIDA") is a public benefit corporation established pursuant to the New York State General Municipal Law. The NCIDA's purpose is to arrange long-term low interest financing with the intent of developing commerce and industry in the County. It is reported as a component unit as the County appoints its governing body and may remove the NCIDA board at will. The County has at times provided support to the NCIDA in the form of employees and facilities. Support expenditures would be included in the County's General Fund under personal services. The NCIDA has sole authority for establishing administrative and fiscal policy in the pursuit of its objectives. The County is not liable for any obligations or deficits the NCIDA may incur, nor does it share in any surpluses. The NCIDA is shown as a proprietary type component unit and is presented on the accrual basis of accounting for its fiscal years ended December 31, 2008 and 2007, respectively.

Blended Component Units

- (a) Nassau County Interim Finance Authority (the "Authority" or "NIFA") is included as a blended component unit of the County's primary government pursuant to GASB No. 14 because exclusion would be misleading. It acts as a temporary financial intermediary to the County and is authorized to act as an oversight authority to the County under certain circumstances. It reports using the governmental model and its funds are reported as part of the County's general funds, debt service funds and capital projects funds.

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 Authority is a component unit of the County 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 Assembly, and the State Comptroller. The Governor also designates the chairperson and vice-chairperson from among the directors. At present one Director's position is vacant.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units (Continued)

Costs.” No bond of the Authority may mature later than January 31, 2036, or more than 30 years from its date of issuance.

Revenues of the Authority (“Revenues”) consist of sales tax revenues, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County on the sale and use of tangible personal property and services in the County (“Sales Tax Revenues”), and investment earnings on money and investments on deposit in various Authority accounts. Sales tax revenues collected by the State Comptroller for transfer to the

Authority are not subject to appropriation by the State or County. Revenues of the Authority that are not required to pay debt service, operating expenses, and other costs of the Authority are payable to the County.

- (b) The Nassau County Tobacco Settlement Corporation (“NCTSC”) is a special purpose local development corporation organized under the Not-for-Profit Corporation Law of the State of New York and is an instrumentality of, but separate and apart from Nassau County. Although legally separate and independent of Nassau County, NCTSC is considered an affiliated organization under Governmental Accounting Standards Board Statement No. 39 “*Determining whether Certain Organizations are Component Units*” and reported as a component unit of the County for County financial reporting purposes and, accordingly, is included in the County’s financial statements.

The NCTSC board of directors has three members, one of whom must meet certain requirements of independence: (i) one elected by the County Legislature, (ii) one, who must be the County Treasurer, *ex officio*, designated by the County Executive and (iii) one selected by (i) and (ii). As of December 31, 2008, one position was vacant.

On November 23, 1999, NCTSC entered into a Purchase and Sale Agreement dated as of October 1, 1999 with the County pursuant to which NCTSC acquired from the County all of the County’s right title and interest under the Master Settlement Agreement (the “MSA”) and the Consent Decree and Final Judgment (the “Decree”). These rights include the County’s share of all Tobacco Settlement Revenues received after November 23, 1999 and in perpetuity to be received under the MSA and the Decree. The consideration paid by NCTSC to the County for such acquisition consisted of \$247,500,000 cash (of which \$77,500,000 was paid into escrow for the benefit of the County) and the sole beneficial interest in NCTSC Residual Trust, a Delaware business trust to which NCTSC has conveyed a residual interest in all the Tobacco Settlement Revenues, annually received in excess of those required to pay debt service on the Series A Bonds (the “Residual”). NCTSC’s right to receive Tobacco Settlement Revenues is its most significant asset and is expected to produce funding for all its obligations.

On March 31, 2006, NCTSC, issued \$431,034,246 of Nassau County Tobacco Settlement Corporation Tobacco Settlement Asset-Backed bonds, Series 2006. Proceeds were used to refund all of NCTSC’s 1999 Bonds and creation of a Residual Trust Fund for the benefit of the County and Senior Liquidity Reserve to pay future debt service on the new bonds.

- (c) The Nassau County Sewer and Storm Water Finance Authority (“NCSSWFA”) is a public benefit corporation established in 2003 by the State of New York under the Nassau County Sewer and Storm Water Finance Authority Act, codified as Title-10-D of Article 5 of the Public Authorities

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units (Continued)

Law of the State. The NCSSWFA was established for the purpose of refinancing outstanding sewer and storm water resources debt issued by or on behalf of the County and financing future County sewer and storm water resources projects. The NCSSWFA may issue debt in an amount up to \$350,000,000 for such purposes (exclusive of debt issued to refund or otherwise repay the NCSSWFA debt).

The NCSSWFA has acquired all of the sewer and storm water resources facilities, buildings, equipment and related assets other than land of the County pursuant to a Financing and Acquisition Agreement dated as of March 1, 2004 by and between the NCSSWFA and the County.

The NCSSWFA is to pay for the assets acquired in installments by undertaking to pay debt service on outstanding bonds issued by or on behalf of the County to finance the assets acquired (“County Bonds”). In addition, as part of such purchase price, the NCSSWFA may, at the request of the County, refinance County Bonds. Most of the NCSSWFA’s revenues are derived through the imposition by the County of assessments for sewer and storm water resources services. The County has directed each city and town receiver of taxes to pay all such assessments directly to the trustee for the NCSSWFA’s bonds. The NCSSWFA retains sufficient funds to service all debt (including County Bonds), and pay its operating expenses. Excess funds are remitted to the Nassau County Sewer and Storm Water Resources District (the “District”). The District is responsible for the operations of the County’s sewer and storm water resources services.

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

Nassau Community College
 One Education Drive
 Garden City, New York 11530

Nassau Regional Off-Track Betting Corp.
 220 Fulton Avenue
 Hempstead, New York 11550

Nassau County Industrial
 Development Agency
 1550 Franklin Avenue
 Mineola, New York 11501

Nassau Health Care
 Corporation
 2201 Hempstead Turnpike
 East Meadow, New York 11554

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

Nassau County Tobacco
 Settlement Corporation
 240 Old Country Road
 Mineola, New York 11501

Nassau County Sewer and Storm Water
 Finance Authority
 240 Old Country Road
 Mineola, New York 11501

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Accounting Pronouncements**

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County applies all applicable GASB pronouncements and only Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989 that do not conflict with GASB pronouncements.

The County prepares its financial statements in accordance with GASB Statement No. 34 (as amended by Statement No. 37), which represents a very significant change in the financial reporting model used by state and local governments. Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the County's governmental activities and activities of its discretely presented component units on the Statement of Net Assets and Statement of Activities. Significantly, the County's Statement of Net Assets includes both noncurrent assets and noncurrent liabilities of the County, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group. In addition to the capital assets previously recorded in the General Fixed Assets Account Group, the County retroactively capitalized infrastructure assets that were acquired beginning with fiscal year ended December 31, 1980. In addition, the government-wide statement of activities reflects depreciation expenses on the County's capital assets, including infrastructure.

In addition to the government-wide financial statements, fund financial statements continue to be reported using the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the County's General Fund, NIFA General Fund, Debt Service Fund, Parks and Recreation Fund, Fire Prevention, Safety, Communication and Education Fund, Police District Fund, Police Headquarters Fund, Capital Fund, and Sewer and Storm Water District Fund is similar to that previously presented in the County's financial statements, although the format of financial statements has been modified by Statement No. 34.

Statement No. 34 also requires supplementary information. Management's Discussion and Analysis includes an analytical overview of the County's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund's, Major Special Revenue Funds' and Nonmajor Special Revenue Funds' budgets with actual results.

The Nassau Community College prepares its financial statements in accordance with GASB No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*".

Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement did not affect amounts reported in the financial statements of the County, certain note disclosures have been added and or amended including descriptions of activities of major funds, violations of legal or contractual provisions, future debt service and lease obligations in five year increments, short-term obligations, interest rates, and interfund balances and transactions.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting policies of the County of Nassau conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The following is a summary of the more significant policies:

A. BASIS OF PRESENTATION

Government-wide Statements: The government-wide financial statements, *i.e.* the Statement of Net Assets and the Statement of Activities, display information about the primary government and its component units. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations of internal activity have been made in these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. All of the activities of the County as primary government are governmental activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County’s governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (i) charges for services such as rental revenue from operating leases on buildings, lots, etc (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other revenues not properly included among program revenues are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County’s funds, including fiduciary funds and blended component units. Separate statements for the governmental and fiduciary fund categories are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non major funds.

The County uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, fiduciary, and proprietary. There are no proprietary funds at the County. Each category, in turn, is divided into separate “fund types.”

The County reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the County through which the County provides most Countywide services. Its principal sources of revenue are sales tax, the Countywide real property tax, other local taxes and charges, departmental revenues, and Federal and State aid.

NIFA General Fund - The NIFA General Fund accounts for sales tax revenues received by NIFA and for general operating expenses as well as distributions to Nassau County. The NIFA Debt Service Fund accounts for the accumulation of resources for payment of principal and interest on the Authority’s bonds. Only that portion of bonds payable expected to be financed from expendable available resources is reported as a liability of the NIFA Debt Service Fund. The NIFA Capital Projects Fund accounts for the financial resources to be transferred to the County for its Financeable Costs.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**A. BASIS OF PRESENTATION (Continued)**

Debt Service Funds - The debt service fund is established to account for the payment of the principal of and interest on outstanding bonds and other long-term obligations of the County.

Fire Prevention, Safety, Communication and Education Fund - This fund is used to enforce the Nassau County Fire Prevention Ordinance, coordinate services to the County's Volunteer Fire Departments, investigate arson and provide education at the Fire/Police Emergency Medical Service (EMS) Academy. Revenues are raised primarily through a special property tax levied on a County-wide basis.

Sewer and Storm Water District Fund - This fund consists of the sewage treatment and collection districts and is responsible for the operation and repair of the County sewage collection areas and maintaining and enhancing the region's water environment.

County Parks and Recreation Fund - This fund has been established to maintain parks, museums, and all recreational facilities. The principal sources of revenue in this fund are user fees and a special real property tax levied on a County-wide basis. In 2007, this fund was merged within the General Fund.

Police District Fund - This fund is used to provide police services to those areas of the County that do not maintain their own local police forces. Revenues are raised principally through a special real property tax levied only in those areas served by the County police. This fund does not include Police Department headquarters expenses which are funded through the Police Headquarters Fund.

Police Headquarters Fund - This fund is used to record all the costs of police headquarters. Revenues are raised principally through a special real property tax levied on a County-wide basis. The Police Department headquarters services the entire County with all police services that the local police departments cannot provide.

Capital Fund - This fund is used to account for the cost of County general improvement capital construction projects. Some of the major project initiatives included in this fund are aimed at enhancements to County buildings, rehabilitation of County roadways, drainage improvements, redevelopment of park facilities and major capital equipment purchases. Funding for these projects is primarily provided by the issuance of long term debt but also may be supplemented by Federal and State aid grant awards.

Additionally, the County reports the following fund type:

Fiduciary Fund - The fiduciary fund is an agency fund used to account for resources received and held by the County as the agent for others. These resources include among other things, withholdings for payroll taxes and garnishments. Use of this fund facilitates the discharge of responsibilities placed upon the County by law or other authority. Individual accounts are maintained for all other escrow-type and fiduciary accounts required by law or other authority in administering such monies received by the County.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**A. BASIS OF PRESENTATION (Continued)***New Accounting Standards*

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for the measurement, recognition, and display of Other Postemployment Benefits (“OPEB”) expense and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (e.g., life insurance) when provided separately from a pension plan. The approach followed in the Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB. Statement No. 45 improves the relevance and usefulness of financial reporting by: (i) recognizing the cost of benefits in periods when the related services are received by the employer; (ii) providing information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded; and (iii) providing information useful in assessing potential demands on the employer’s future cash flows. The requirement applies to any state or local government employer that provides OPEB. As a result, the County has implemented GASB statement No. 45 for the fiscal year ended December 31, 2007. Prior to the implementation of GASB Statement No. 45, the County’s postretirement benefits were accounted for on a pay-as-you-go basis.

In July 2005, GASB issued statement No. 47, *Accounting for Termination Benefits*. There was no impact on the County’s financial statements as a result of the implementation of Statement No. 47. For termination benefits provided through a deferred benefit OPEB plan, the provisions of this Statement have been implemented in conjunction with Statement No. 45.

In September 2005, GASB issued GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The County has implemented this Statement for the fiscal year ended December 31, 2007.

In January 2006, GASB issued GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The County has implemented this Statement for the fiscal year ended December 31, 2008 and determined that the adoption of this statement had no impact on the County’s financial statement.

In June 2007, GASB issued Statement 51, *Accounting and Financial Reporting for Intangible Assets*. The County has implemented this Statement for the fiscal year ended December 31, 2008 and has recorded \$8.8 million of intangible assets.

In November 2007, GASB issued Statement 52, *Land and Other Real Estate Held as Investments by Endowments*, which should be implemented beginning with fiscal years ending December 31, 2009. The County has determined that there is no impact from Statement No. 52 on its financial position or results of operations resulting from the adoption.

In June 2008, GASB issued Statement No.53, *Accounting and Financial Reporting for Derivative Instruments*, which should be implemented beginning with fiscal years ending December 31, 2010.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**A. BASIS OF PRESENTATION (Continued)**

The County has not completed the process of evaluating the impact that will result from implementing this Statement and is therefore unable to determine the impact that adopting this Statement will have on its financial position and results of operations.

In February 2009, GASB issued Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which should be implemented beginning with fiscal years ending December 31, 2011. The County has not completed the process of evaluating the impact that will result from implementing this Statement and is therefore unable to determine the impact that adopting this will have on its financial position and results of operations when such statement is adopted.

In March 2009, GASB issued Statement No.55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which were both effective immediately. Neither of these Statements have an impact on the County's financial statements.

B. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The basis of accounting determines when transactions are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County either gives or receives value without directly receiving or giving equal value in exchange, include, for example sales and property taxes, grants, and donations. On an accrual basis, revenue from sales taxes is recognized when the underlying 'exchange' transaction takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

All discretely presented component units-proprietary funds are accounted for on a flow of economic resources measurement focus.

Governmental funds are accounted for on the modified accrual basis of accounting. Governmental fund revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., both measurable and available to finance expenditures of the fiscal period). Revenue items accrued are property taxes and sales taxes, provided the revenue is collected within 60 days of the fiscal year end; and reimbursable amounts from Federal and State supported programs, provided the revenue is collected within one year of year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, with the following exceptions that are in conformity with accounting principles generally accepted in the United States of America: general long-term obligation principal and interest are reported only when due, vacation and sick leave when paid, pension costs when due, and judgments and claims when settled. Discretely presented component units proprietary funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary funds' unbilled services receivable are recognized as revenue.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

The fiduciary fund is accounted for on the cash basis of accounting for the purpose of asset and liability recognition.

Transfers among funds are recognized in the accounting period in which the interfund receivable and payable arise.

Nassau Community College - The College reports as a special purpose government engaged only in business type activities as defined in GASB Statement No. 35 "*Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*".

C. BUDGETS AND BUDGETARY ACCOUNTING

An appropriated budget is legally adopted for each fiscal year for the General Fund, Debt Service Fund and each of the Special Revenue Funds, with the exception of NIFA, NCSSWFA, NCTSC, Open Space Fund and the Grant Fund. NIFA funds consist of sales tax revenues collected by the State Comptroller and transferred to the fund and are not subject to appropriation by the State or County. NCTSC Funds consist of Tobacco Settlement Revenues received annually as a result of a Master Settlement Agreement between the Tobacco Settlement Corporation and Tobacco Manufacturing Companies. The Grant Funds are appropriated for the life of specific grants, not for annual fiscal periods. Accordingly, the Grant Funds are excluded from the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance presented for budgeted special revenue funds. The budget amounts as shown include prior year encumbrances carried forward as well as current year authorizations. In the case of the Grant Fund, an appropriated budget is legally adopted for the life of each grant as it is received. The County Legislature also authorizes and rescinds spending and financing authority in a Capital Budget. Each project authorized has continuing budget authority until the project is completed or rescinded. All appropriated budgets are adopted by ordinance of the County Legislature on the same modified accrual basis of accounting used to report revenues and expenditures except that appropriations are not provided for certain interfund indirect costs and encumbrances are treated as charges to appropriations when incurred. All supplemental appropriations amending appropriated budgets as originally adopted are also provided by ordinance of the Legislature. During the fiscal years ended December 31, 2008 and 2007, supplemental appropriations for the General Fund, Debt Service Fund and for the Special Revenue Funds and appropriation budgets for the Grant Fund were adopted and are included in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budgeted Funds as follows (dollars in thousands):

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

	<u>2008</u>	<u>2007</u>
Supplemental Appropriations:		
General Fund	\$ 96,485	\$ 42,191
Police District	7,900	5,300
Police Headquarters	10,940	2,600
Fire Prevention, Safety, Communication and Education	<u>832</u>	<u>50</u>
 Total Supplemental Appropriations	 \$ 116,157	 \$ 50,141
Grant Fund Appropriated Budgets	<u>222,418</u>	<u>113,920</u>
 Total Supplemental Appropriations and Grant Fund Appropriated Budgets	 <u>\$ 338,575</u>	 <u>\$ 164,061</u>

Appropriations which have not been expended or encumbered by the end of the fiscal period lapse at that time.

The County followed these procedures in establishing the budgetary data reflected in the financial statements:

1. The proposed budget must be presented to the County Legislature and NIFA not later than September 15. (For the College, the proposed budget is submitted on or before the second Monday in July for the fiscal year commencing the following September 1.) The proposed budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Budgets must be adopted by the County Legislature no later than October 30 of the prior year. (For the College, the budget is legally enacted on or before the third Monday in August.)
4. The appropriated budget can be legally amended by the County Legislature subsequent to its initial adoption. Proposed amendments can be submitted by the County Executive to the Legislature at any time during the fiscal year. These proposed amendments are then voted on by the Legislature at the next available meeting. Amendments which are legally approved by the Legislature are immediately reflected in the operating appropriated budget.
5. Formal budgetary integration is employed as a management control device during the year for the governmental funds. The legal level of budgetary control is exercised at the object appropriation level within a departmental control center. The County Legislature must approve all transfers and supplemental appropriations at this level.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**D. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds.

Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with original maturities of three months or less from the date acquired by the County. Investments are carried at cost, which approximates market, and are fully collateralized in accordance with the New York State Local Finance Law.

F. CAPITAL ASSETS

All capital assets which are acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and are accounted for and reported in the government-wide financial statements, as capital assets, if they meet the County's capitalization criteria. These statements also contain the County's infrastructure elements that are now required to be capitalized under GAAP. Infrastructure assets include public domain assets such as roads, bridges, streets, sidewalks, curbs and gutters, drainage systems, lighting systems, and the like. Real property acquired in 1984 and prior (except for infrastructure assets) is recorded at historical cost based on an appraisal performed in 1984. Real property acquired after 1984 as well as all infrastructure assets are recorded at historical cost. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease. Equipment with a unit cost of \$5,000 or more is included in the financial statements as general capital assets of the County. Electronic equipment valued at a unit cost of \$500 or more and all other equipment valued at \$1,000 or more is inventoried and recorded for internal control purposes. Donated capital assets, if material, are stated at their fair market value as of the date of the donation. Intangible assets are classified as capital assets if identifiable. Intangible assets are characterized as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. All of the County's intangible capital assets have indefinite useful lives.

G. DEPRECIATION

Depreciation is defined by the AICPA as a method of accounting which aims to distribute the cost or value of tangible capital assets, less any salvage value, over the estimated useful life of the assets in a systematic and rational manner. GASB 34 states that capital assets should be depreciated over their estimated useful lives, unless they are inexhaustible. Pursuant to GASB 34, accumulated depreciation is reported for land improvements, buildings, equipment and infrastructure. (The County's land improvements consist of exhaustible capital assets such as swimming pools, parking lots, and playgrounds.) Land, which is an inexhaustible asset, and construction in progress are not depreciated. Land improvements, buildings, equipment, and infrastructure are depreciated, using straight-line method of depreciation, over their estimated useful lives of 20 years for land improvements, 40 years for buildings, 3 to 25 years for equipment and 15 to 40 years for infrastructure. Capital lease assets are amortized over the term of the lease or the life of the asset, whichever is less.

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. **DEPRECIATION** (Continued)

Depreciation is recorded by the proprietary type entities, as follows:

Nassau Community College - Depreciation on buildings, land improvements and infrastructure, and equipment is calculated using the straight line method over the assets' estimated useful lives, ranging from 5 to 50 years. Library books and audiovisual items are not depreciated.

Nassau Health Care Corporation - Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets.

Nassau Regional Off-Track Betting Corporation - For capital improvement assets, depreciation and amortization is recorded over the assets' estimated useful lives using the straight-line method (4 to 20 years) and is charged directly against the assets. No charge to operations is recorded. For all other assets, depreciation and amortization are computed on the straight-line method and charged to operations over the assets' estimated useful lives (4 to 20 years). Leasehold improvements are amortized over their estimated useful lives, or the remaining term of the leases, exclusive of renewal options.

Nassau County Industrial Development Agency - Depreciation is calculated on the straight-line basis over an estimated useful life of five years, utilizing the half-year convention.

Nassau County Sewer and Storm Water Finance Authority - Capital assets are depreciated over their economic useful life using straight-line method.

H. **INVENTORIES AND PREPAID EXPENSES**

Inventory on hand is not significant and is recorded as an expenditure in the period purchased. Prepaid expenses represent amounts paid as of year end which will benefit future operations and are accounted for using the consumption method.

I. **RESERVES**

Portions of governmental fund equity are reserved for specific purposes, and are therefore not available as spendable resources.

J. **ACCUMULATED UNPAID VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFITS**

County employees receive vacation time, sick leave, and other benefits pursuant to the labor contract or County ordinance covering their terms of employment. The cash value of these accumulated unpaid employee benefits and the related employer costs (e.g. Social Security) has been accrued and reported with other long-term liabilities in the government-wide financial statements of net assets. The compensated absences for the governmental funds are treated as long term as they will not be liquidated with expendable available financial resources. For those employees who have retired prior to December 31, 2008, any accumulated and unpaid benefits as of that date have been recorded in the government-wide financial statements of net assets.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**K. GRANTS AND OTHER INTERGOVERNMENT REVENUES**

Federal and State grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other Federal and State reimbursement type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred.

L. REAL PROPERTY TAX

County real property taxes are levied on or before the third Monday in December and recorded as a receivable on January 1, the first day of the fiscal year. They are collected in two semiannual installments, payable on January 1 and July 1 by the town and city receivers of taxes together with the town and city tax levies, all of which become a lien on January 1. At year-end, adjustments are made for taxes that are estimated to be uncollectible, or collectible but not available soon enough in the next year to finance current period expenditures. The town receivers of taxes likewise collect real property taxes for all towns, school districts and special districts in the County, and return to the County after June 1 any uncollected taxes receivable. Pursuant to the Nassau County Administrative Code, the County assumes the burden of such uncollected taxes, and has the responsibility for their collection from the taxpayers.

The New York State constitutional limit of real property taxation for counties is set at two percent of the average full valuation of real estate for the five years preceding the current year for general government services other than the payment of principal and interest on its long-term debt. The constitutional tax limit controlling the levy of County real property taxes for 2008 and 2007 fiscal years was \$4.1 billion and \$3.9 billion, respectively. The constitutional tax margin was \$3.2 billion or approximately 77.21% in 2008 and \$2.9 billion or approximately 76.03% in 2007.

Property tax revenue is recognized in the year for which it is levied provided that it is payable and collected before the current fiscal year-end, or within 60 days thereafter in order to be available to pay for liabilities of the current fiscal year. Property tax revenue not so available is presented as deferred revenue for the fund financial statements. Additionally, the government-wide financial statements recognize real estate tax revenue which is not available to the governmental fund type in the fiscal year for which the taxes are levied.

M. INTERFUND TRANSACTIONS

During the course of normal operations, the County has numerous transactions among funds, including transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The General Fund provides administrative and other services to other funds. Amounts charged to the users for these services are based on the County's cost allocation plan and are treated as revenues in the General Fund and as expenditures or operating expenses in the user funds.

N. NOTES PAYABLE

Tax anticipation notes and revenue anticipation notes are generally recorded as fund liabilities in the fund receiving the proceeds. Bond anticipation notes are classified as fund liabilities in the funds receiving the proceeds unless all legal steps have been taken to refinance the notes and the intent is

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**N. NOTES PAYABLE (Continued)**

supported by an ability to consummate refinancing the short-term note on a long-term basis at which time they are recorded in the government-wide financial statement of net assets.

O. LONG-TERM LIABILITIES

For long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide financial statement of net assets. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

P. ISSUANCE COSTS

In the governmental fund types, issuance costs are recognized as expenditures in the period incurred. Issuance costs recorded in the government-wide financial statements units are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

Q. CLAIMS AND CONTINGENCIES

The County is self-insured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. In the fund financial statements, expenditures for judgments and claims and workers' compensation are recorded when paid. In the government-wide financial statements the estimated liability for all judgments and claims is recorded as a liability.

R. USE OF ESTIMATES

Significant accounting estimates reflected in the County's financial statements include estimated tax certiorari liability, the allowance for doubtful accounts, allowance for property taxes, accrued liabilities, workers' compensation claims, accrued vacation and sick leave, deferred payroll, estimated malpractice liability, liability for litigation and claims, and depreciation. Actual results could differ from these estimates.

2. DEPOSITS AND INVESTMENTS

In accordance with General Municipal Law of the State of New York, the County may invest in certificates of deposits, money market and time deposit accounts, repurchase agreements, obligations of the United States Government and obligations of the State of New York and its various municipal subdivisions.

Deposits - As required by law, all cash deposits and cash equivalents are required to be fully collateralized or insured. At December 31, 2008 and 2007, the carrying amount of the County's deposits was approximately \$468.1 and \$500.3 million, respectively, and the bank balance was \$597.3 and \$609.5 million, respectively. The bank balance was covered by Federal depository insurance or by collateral consisting of obligations of the United States Government held by the County's agent in the County's name.

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

2. DEPOSITS AND INVESTMENTS (Continued)

Investments – Total cash and cash equivalents amounted to \$554.8 and \$601.2 million in 2008 and 2007 respectively, which consisted of approximately \$554.7 and \$576.1 million in money market interest bearing bank accounts at rates averaging 2.77% and 5.3% annually, respectively.

The investments at December 31, 2008 and 2007 consisted of U.S. Treasury Notes and other obligations of the U.S. government which are explicitly guaranteed by the U.S. government and therefore not considered to have credit risk.

Interest rate risk is the risk that the fair value of investments could be adversely affected by the change in interest rates. Duration limits are used to control the portfolios exposure to interest rate changes. Investments are limited to less than one year in duration.

The following table summarizes the County’s unrestricted cash and investment position at December 31, 2008, all investments mature in less than one year (dollars in thousands):

	<u>2008</u>		
	<u>Total</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash	\$ 554,748	\$ 554,748	\$
Treasury Notes and Investment Paper	<u>110,566</u>	<u>100</u>	<u>110,466</u>
Totals	<u>\$ 665,314</u>	<u>\$ 554,848</u>	<u>\$ 110,466</u>
Governmental Funds	\$ 578,544	\$ 468,078	\$ 110,466
Fiduciary Funds	<u>86,770</u>	<u>86,770</u>	<u> </u>
Totals	<u>\$ 665,314</u>	<u>\$ 554,848</u>	<u>\$ 110,466</u>

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The following table summarizes the County’s unrestricted cash and investment position at December 31, 2007 (dollars in thousands):

	<u>2007</u>	Cash and Cash	
	<u>Total</u>	<u>Equivalents</u>	<u>Investments</u>
Cash	\$ 576,080	\$ 576,080	\$
Treasury Notes, Commercial Paper, and Investment Paper	<u>93,675</u>	<u>25,118</u>	<u>68,557</u>
Totals	<u>\$ 669,755</u>	<u>\$ 601,198</u>	<u>\$ 68,557</u>
Governmental Funds	\$ 568,811	\$ 500,254	\$ 68,557
Fiduciary Funds	<u>100,944</u>	<u>100,944</u>	<u> </u>
Totals	<u>\$ 669,755</u>	<u>\$ 601,198</u>	<u>\$ 68,557</u>

The County maintains a consolidated disbursement account with a financial institution on behalf of the College. At August 31, 2008 and 2007, the College had a cash balance of \$43.4 and of \$43.1 million, respectively; and the bank balance was \$42.9 and \$39.5 million, respectively. The bank balance is covered by Federal depository insurance or by collateral consisting of obligations of the United States Government held by the County’s agent in the County’s name.

At August 31, 2008 and 2007, the carrying amount (fair value) of the College’s investments was \$0.

3. DUE FROM OTHER GOVERNMENTS

The account “Due from Other Governments” at December 31, 2008 and 2007 represents aid, grants, and other amounts receivable from the State and Federal governments. The following summarizes such receivables (dollars in thousands):

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

3. DUE FROM OTHER GOVERNMENTS (Continued)

DUE FROM OTHER GOVERNMENTS

Fund	2008			2007		
	Total	Federal	State/Other*	Total	Federal	State/Other*
General	\$ 155,665	\$ 55,376	\$ 100,289	\$ 163,229	\$ 54,794	\$ 108,435
Police Headquarters	1,622	404	1,218	1,554	92	1,462
Nonmajor Governmental	10,783	7,028	3,755	10,273	7,343	2,930
Totals	\$ 168,070	\$ 62,808	\$ 105,262	\$ 175,056	\$ 62,229	\$ 112,827

* Includes \$ 10,070 and \$11,174 of sales taxes receivable at December 31, 2008 and 2007, respectively.

4. TAX REAL ESTATE

The account "Tax Real Estate" includes real property which the County has acquired through foreclosure proceedings. The property is valued at the amount of the delinquent tax liens which could not be sold and which the County was required to retain.

Real property designated as Tax Real Estate is accounted for as an asset of the General Fund inasmuch as it is not being considered for use by the County at this time, but rather is available for sale to private buyers. Since any taxes unpaid to other funds from this property were paid to those funds by the General Fund, no portion of this asset is allocable to those other funds.

Certain real property which was acquired by the County as Tax Real Estate and subsequently designated for public use is currently not available for sale and is included as part of the capital assets in the government-wide financial statements of net assets.

5. TAX SALE CERTIFICATES

The account "Tax Sale Certificates" includes the amount of delinquent real property tax liens which could not be sold and which the County was required to retain. It also includes the value of tax sale certificates bought by the public which the County subsequently reacquired upon default of the purchaser.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund Receivables, Payables and Transfers (dollars in thousands)

The individual fund Interfund Receivables and Interfund Payables as of December 31, 2008 and 2007 are reconciled as follows:

December 31, 2008	NIFA		Fire Comm	Police Districts	Police		Sewer & Storm		Nonmajor	Total
	General Fund	General Fund			Debt Service Fund	Headquarters Fund	Water District Fund	Capital Fund		
INTERFUND RECEIVABLE										
General Fund	\$	\$	\$	\$	\$	\$	7,927	\$	\$ 33,584	\$ 41,511
NIFA General		68,194							23,816	92,010
Debt Service Fund		31,086								31,086
Fire Comm Fund		768	490							1,258
Police District		36,055	115			5,259				41,429
Police Headquarters		36,084	3,692							39,776
Sewer & Storm District			7,227							7,227
Capital Fund		46,217	15,426			708				62,351
Nonmajor Funds		144	1,996		1,227	1,049	664		700	5,780
TOTAL RECEIVABLE	\$ 218,548	\$	\$ 28,946	\$	\$ 1,227	\$ 7,016	\$ 8,591	\$	\$ 58,100	\$ 322,428
INTERFUND PAYABLE										
General Fund	\$	\$ (68,194)	\$ (31,086)	\$ (768)	\$ (36,055)	\$ (36,084)	\$	\$ (46,217)	\$ (144)	\$ (218,548)
Debt Service				(490)	(115)	(3,692)	(7,227)	(15,426)	(1,996)	(28,946)
Police District									(1,227)	(1,227)
Police Headquarters					(5,259)			(708)	(1,049)	(7,016)
Sewer & Storm District		(7,927)							(664)	(8,591)
Nonmajor Funds		(33,584)	(23,816)						(700)	(58,100)
TOTAL PAYABLE	\$ (41,511)	\$ (92,010)	\$ (31,086)	\$ (1,258)	\$ (41,429)	\$ (39,776)	\$ (7,227)	\$ (62,351)	\$ (5,780)	\$ (322,428)

2008

Transfers Out:	Transfers In:				Total
	General Fund	Debt Service Fund	Fire Comm Fund	Police Headquarters Fund	
General Fund	\$	\$ 255,410	\$ 832	\$ 13,536	\$ 269,778
Debt Service Fund	180,157				180,157
Fire Comm Fund	248	490			738
Police District		115			115
Police Headquarters		3,692			3,692
Sewer & Storm District		6,836			6,836
Capital Fund	8,315	15,426			23,741
Nonmajor Funds		1,996			1,996
TOTAL	\$ 188,720	\$ 283,965	\$ 832	\$ 13,536	\$ 487,053

* Interfund transactions are described in Note 1(L)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

A. Interfund Receivables, Payables and Transfers (dollars in thousands) (Continued)

December 31, 2007	General Fund	NIFA General Fund	Debt Service Fund	Fire Comm Fund	Police District Fund	Police Headquarters Fund	Sewer & Storm Water District Fund	Capital Fund	Nonmajor Funds	Total
INTERFUND RECEIVABLE										
General Fund	\$	\$	\$	\$	\$	\$	\$ 64,683	\$	\$ 30,049	\$ 94,732
NIFA General	78,346								28,892	107,238
Debt Service Fund	41,011									41,011
Fire Comm Fund	1,801		685							2,486
Police District	25,432		194			6,260				31,886
Police Headquarters	38,797		3,273					75		42,145
Sewer & Storm District			4,885							4,885
Nonmajor Funds	70,519		26,714	23	2,296	6,849	19,575		11,349	137,325
TOTAL RECEIVABLE	\$ 255,906	\$	\$ 35,751	\$ 23	\$ 2,296	\$ 13,109	\$ 84,258	\$ 75	\$ 70,290	\$ 461,708
INTERFUND PAYABLE										
General Fund	\$	\$ (78,346)	\$ (41,011)	\$ (1,801)	\$ (25,432)	\$ (38,797)	\$	\$ (57,794)	\$ (12,725)	\$ (255,906)
Debt Service Fund				(685)	(194)	(3,273)	(4,885)	(25,635)	(1,079)	(35,751)
Fire Comm Fund									(23)	(23)
Police District									(2,296)	(2,296)
Police Headquarters					(6,260)				(6,849)	(13,109)
Sewer & Storm District	(64,683)								(19,575)	(84,258)
Nonmajor Funds	(30,049)	(28,892)				(75)		(17)	(11,332)	(70,365)
TOTAL PAYABLE	\$ (94,732)	\$ (107,238)	\$ (41,011)	\$ (2,486)	\$ (31,886)	\$ (42,145)	\$ (4,885)	\$ (83,446)	\$ (53,879)	\$ (461,708)

2007

Transfers Out:	Transfers In:		
	General Fund	Debt Service Fund	Total
General Fund	\$	\$ 221,138	\$ 221,138
Debt Service Fund	169,254		169,254
Fire Comm Fund	560	685	1,245
Parks Fund	3,482		3,482
Police District		194	194
Police Headquarters	3,076	3,273	6,349
Sewer & Storm District		7,030	7,030
Capital Fund		38,960	38,960
Nonmajor Funds		1,079	1,079
TOTAL	\$ 176,372	\$ 272,359	\$ 448,731

* Interfund transactions are described in Note 1 (L)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

A. Interfund Receivables, Payables and Transfers (Continued)

The outstanding balances between funds result primarily from the time lag between the date the reimbursement is received and the date the interfund goods and services are provided.

The total amounts shown as Due to Primary Government and Due from/to Component Units at December 31, 2008 and 2007 do not offset each other as they include accounts of the Nassau Community College at the end of their fiscal years on August 31, 2008 and 2007. The following reconciles the December 31, 2008 and 2007 amounts by carrying forward the Nassau Community College transactions affecting these accounts from September 1, 2008 through December 31, 2008 and from September 1, 2007 through December 31, 2007, respectively.

B. Due from/Due to Primary Government and Component Units

	<u>Dollars in Thousands</u>	
	<u>2008</u>	<u>2007</u>
Net Due to Primary Government (Exhibit X-1)	\$ <u>(5,145)</u>	\$ <u>(559)</u>
Nassau Community College Transactions from September 1, to December 31:		
Increase in due to ATF	\$ (3,879)	\$ (1,489)
Decrease in due from Capital fund	(2,776)	(520)
Decrease in due to Grant fund	52	45
Decrease in Capital chargeback	212	68
Decrease in due to General fund	<u>2,578</u>	<u>2,734</u>
Subtotals	(3,813)	838
Nassau Health Care Corporation		
Net Change in Encumbrances	(34,211)	(15,836)
Settlement in Transit	<u> </u>	<u>(6,801)</u>
Subtotals	(34,211)	(22,637)
Due From Component Units - Fiduciary per Balance Sheet (Exhibit X-13)	3,912	956
Net Due From Component Units - Governmental per Balance Sheet (Exhibit X-1)	<u>39,257</u>	<u>21,402</u>
Net Due from Component Units - Fiduciary and Governmental	<u>\$ 5,145</u>	<u>\$ 559</u>

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

7. CAPITAL ASSETS

The following schedules for the 2008 capital assets are reconciled to the 2008 amounts reported on Exhibit X-1 in the table below:

2008			
Summary of Capital Asset Balances			
(dollars in thousands)			
Primary			
	<u>Government</u>	<u>NCSSWFA</u>	<u>Total per X-1</u>
Capital Assets Not Being Depreciated	\$ 713,595	\$	\$ 713,595
Depreciable Capital Assets	1,859,396	1,046,429	2,905,825
Accumulated Depreciation	<u>(1,051,415)</u>	<u>(178,712)</u>	(1,230,127)
Capital Assets Net	<u>\$ 1,521,576</u>	<u>\$ 867,717</u>	

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

7. CAPITAL ASSETS (Continued)

Activity for capital assets excluding the Nassau Community College, which are capitalized by the County, is summarized below (dollars in thousands):

Primary Government	Balance, December 31, 2007	Additions	Reductions	Balance, December 31, 2008
Governmental activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 145,168	\$ 53,239	\$ 17	\$ 198,390
Intangibles		8,804		8,804
Construction in progress	416,811	102,321	12,731	506,401
Total Capital Assets, Not Being Depreciated	<u>561,979</u>	<u>164,364</u>	<u>12,748</u>	<u>713,595</u>
Capital Assets, Being Depreciated:				
Land Improvements	77,894	578		78,472
Buildings	635,096	597		635,693
Equipment	434,585	17,775	3,421	448,939
Infrastructure	685,096	11,196		696,292
Total Capital Assets, Being Depreciated	<u>1,832,671</u>	<u>30,146</u>	<u>3,421</u>	<u>1,859,396</u>
Total Capital Assets	<u>2,394,650</u>	<u>194,510</u>	<u>16,169</u>	<u>2,572,991</u>
Less Accumulated Depreciation:				
Land Improvements	34,250	3,519		37,769
Buildings	250,101	14,638		264,739
Equipment	274,256	33,237	2,913	304,580
Infrastructure	423,480	20,847		444,327
Total Accumulated Depreciation	<u>982,087</u>	<u>72,241</u>	<u>2,913</u>	<u>1,051,415</u>
Total Capital Assets, Being Depreciated - net	<u>850,584</u>	<u>(42,095)</u>	<u>508</u>	<u>807,981</u>
Governmental Activities Capital Assets - net	<u>\$ 1,412,563</u>	<u>\$ 122,269</u>	<u>\$ 13,256</u>	<u>\$ 1,521,576</u>

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

7. CAPITAL ASSETS (Continued)

The table below presents the reconciliation of the reduction of Construction in Progress to the additions to Capital Assets.

2008
Reconciliation of Reductions of Construction In Progress to Additions to Capital Assets
 (dollars in thousands)

	<u>Primary Government</u>	<u>NCSSWFA</u>	<u>Total</u>
Transfer from Construction in Progress	\$ <u>(12,731)</u>	\$ _____	\$ <u>(12,731)</u>
Additions to Capital Assets:			
Capital Assets being Depreciated			
Land Improvements	\$ 438	\$ _____	\$ 438
Buildings	597	425	1,022
Infrastructure	<u>11,196</u>	<u>75</u>	<u>11,271</u>
	<u>\$ 12,231</u>	<u>\$ 500</u>	<u>\$ 12,731</u>

The following schedules for the 2007 capital assets are reconciled to the 2007 amounts reported on Exhibit X-1 in the table below:

2007
Summary of Capital Asset Balances
 (dollars in thousands)

	<u>Primary Government</u>	<u>NCSSWFA</u>	<u>Total per X-1</u>
Capital Assets Not Being Depreciated	\$ 561,979	\$ _____	\$ 561,979
Depreciable Capital Assets	1,832,671	1,045,663	2,878,334
Accumulated Depreciation	<u>(982,087)</u>	<u>(139,422)</u>	(1,121,509)
Capital Assets - Net	<u>\$ 1,412,563</u>	<u>\$ 906,241</u>	

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

7. CAPITAL ASSETS (Continued)

Activity for capital assets excluding the Nassau Community College, which are capitalized by the County, is summarized below (dollars in thousands):

Primary Government	Balance, December 31, 2006	Additions	Reductions	Balance, December 31, 2007
Governmental activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 137,574	\$ 12,735	\$ 5,141	\$ 145,168
Construction in progress	<u>362,428</u>	<u>107,271</u>	<u>52,888</u>	<u>416,811</u>
Total Capital Assets, Not Being Depreciated	<u>500,002</u>	<u>120,006</u>	<u>58,029</u>	<u>561,979</u>
Capital Assets, Being Depreciated:				
Land Improvements	77,587	307		77,894
Buildings	650,907	8,489	24,300	635,096
Equipment	424,515	16,912	6,842	434,585
Infrastructure	<u>665,404</u>	<u>19,692</u>		<u>685,096</u>
Total Capital Assets, Being Depreciated	<u>1,818,413</u>	<u>45,400</u>	<u>31,142</u>	<u>1,832,671</u>
Total Capital Assets	<u>2,318,415</u>	<u>165,406</u>	<u>89,171</u>	<u>2,394,650</u>
Less Accumulated Depreciation:				
Land Improvements	30,747	3,503		34,250
Buildings	238,351	14,544	2,794	250,101
Equipment	247,749	32,692	6,185	274,256
Infrastructure	<u>402,105</u>	<u>21,375</u>		<u>423,480</u>
Total Accumulated Depreciation	<u>918,952</u>	<u>72,114</u>	<u>8,979</u>	<u>982,087</u>
Total Capital Assets, Being Depreciated - net	<u>899,461</u>	<u>(26,714)</u>	<u>22,163</u>	<u>850,584</u>
Governmental Activities Capital Assets - net	<u>\$ 1,399,463</u>	<u>\$ 93,292</u>	<u>\$ 80,192</u>	<u>\$ 1,412,563</u>

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

7. CAPITAL ASSETS (Continued)

The table below presents the reconciliation of the reduction of Construction in Progress to the additions to Capital Assets.

2007				
Reconciliation of Reductions of Construction In Progress to Additions to Capital Assets				
(dollars in thousands)				
	Primary			
	<u>Government</u>	<u>NCSSWFA</u>	<u>NCC</u>	<u>Total</u>
Transfer from Construction in Progress	\$ (52,888)	\$	\$	\$ (52,888)
Additions to Capital Assets				
Capital Assets not being Depreciated				
Land	\$ 12,735	\$	\$	\$ 12,735
Capital Assets being Depreciated				
Land Improvements	2			2
Buildings	8,489	9,693		18,182
Infrastructure	<u>19,692</u>	<u>2,272</u>	<u>5</u>	<u>21,969</u>
Total Additions to Capital Assets	<u>\$ 40,918</u>	<u>\$ 11,965</u>	<u>\$ 5</u>	<u>\$ 52,888</u>

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

7. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the County for the fiscal year ended December 31, 2008 and 2007 as follows (dollars in thousands):

December 31, 2008	<u>Land Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
Functions:					
Legislative	\$	\$ 6	\$ 2	\$	\$ 8
Judicial	80	1,231	270		1,581
General Administration	60	598	1,454		2,112
Protection of Persons	9	1,839	7,247		9,095
Health		113	300		413
Public Works	30	269	2,943	20,208	23,450
Recreation and Parks	3,275	2,093	667	639	6,674
Social Services	60	189	69		318
Corrections		4,582	355		4,937
Other Expenditures/MSBA		660	8,846		9,506
Metropolitan Transportation Authority			11,084		11,084
Misc. Unclassified	<u>5</u>	<u>3,058</u>			<u>3,063</u>
Total Depreciation Expense	<u>\$ 3,519</u>	<u>\$ 14,638</u>	<u>\$ 33,237</u>	<u>\$ 20,847</u>	<u>\$ 72,241</u>
December 31, 2007	<u>Land Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
Functions:					
Legislative	\$	\$ 6	\$ 2	\$	\$ 8
Judicial	80	1,231	226		1,537
General Administration	60	591	2,030		2,681
Protection of Persons	9	1,738	6,522		8,269
Health		113	261		374
Public Works	7	275	2,702	20,716	23,700
Recreation and Parks	3,282	2,087	655	659	6,683
Social Services	60	189	84		333
Corrections		4,582	304		4,886
Other Expenditures/MSBA		660	8,823		9,483
Metropolitan Transportation Authority			11,083		11,083
Misc. Unclassified	<u>5</u>	<u>3,072</u>			<u>3,077</u>
Total Depreciation Expense	<u>\$ 3,503</u>	<u>\$ 14,544</u>	<u>\$ 32,692</u>	<u>\$ 21,375</u>	<u>\$ 72,114</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

7. CAPITAL ASSETS (Continued)

Sources of funding of the general capital assets at December 31, 2008 and 2007 were as follows (dollars in thousands):

	<u>2008</u>	<u>2007</u>
Long Term Serial Bonds	\$ 2,201,078	\$ 2,048,707
Temporary Financing and Bond Anticipation Notes	59,922	59,922
Federal Grants	10,593	9,367
New York State Grants	48,551	47,191
General Fund Revenues	117,703	116,647
Special Revenue Funds Revenues	61,041	61,422
Gifts	27,755	4,364
Acquisitions Prior to December 31, 1985	40,891	41,573
Capitalized Lease	<u>5,457</u>	<u>5,457</u>
Total Funding Sources	<u>\$ 2,572,991</u>	<u>\$ 2,394,650</u>

General capital assets of the County by function at December 31, 2008 and 2007 were as follows (dollars in thousands):

	<u>2008</u>	<u>2007</u>
Legislative	\$ 365	\$ 365
Judicial	80,864	80,632
General Administration	145,602	92,560
Protection of Persons	157,885	153,368
Health	8,848	8,683
Public Works	1,796,696	1,781,491
Recreation and Parks	214,176	213,641
Social Services	25,736	25,620
Corrections	192,491	192,013
Other Expenditures/MSBA	148,433	141,993
Metropolitan Transportation Authority	140,040	140,040
Misc. Unclassified	193,079	193,096
Construction in Progress	506,401	416,811
Intangible Assets	<u>8,804</u>	<u> </u>
Total	3,619,420	3,440,313
Less: Accumulated Depreciation	<u>1,230,127</u>	<u>1,121,509</u>
Total Net Capital Assets	<u>\$ 2,389,293</u>	<u>\$ 2,318,804</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

7. CAPITAL ASSETS (Continued)

The following is a summary of the Nassau County Sewer and Storm Water Finance Authority capital assets at cost, except as noted (dollars in thousands):

Capital Assets	Balance December 31, 2006			Balance December 31, 2007			Balance December 31, 2008
		Additions	Reductions		Additions	Reductions	
Buildings	\$ 307,998	\$ 9,693	\$	\$ 317,691	\$ 425	\$	\$ 318,116
Equipment	689	52		741	266		1,007
Infrastructure	<u>724,959</u>	<u>2,272</u>		<u>727,231</u>	<u>75</u>		<u>727,306</u>
Total Capital Assets	<u>1,033,646</u>	<u>12,017</u>		<u>1,045,663</u>	<u>766</u>		<u>1,046,429</u>
Less Accumulated Depreciation:							
Buildings	23,194	9,146		32,340	9,273		41,613
Equipment	157	66		223	66		289
Infrastructure	<u>76,937</u>	<u>29,922</u>		<u>106,859</u>	<u>29,951</u>		<u>136,810</u>
Total Accumulated Depreciation	<u>100,288</u>	<u>39,134</u>		<u>139,422</u>	<u>39,290</u>		<u>178,712</u>
Capital Assets - net	<u>\$ 933,358</u>	<u>\$ (27,117)</u>	<u>\$</u>	<u>\$ 906,241</u>	<u>\$ (38,524)</u>	<u>\$</u>	<u>\$ 867,717</u>

Total combined capital assets of the County, including its blended component unit, Nassau County Sewer and Storm Water Finance Authority as of December 31, 2008, is \$3,619,420 with Accumulated Depreciation of \$1,230,127.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

7. CAPITAL ASSETS (Continued)

The following is a summary of the Nassau Community College capital assets at cost, except as noted (dollars in thousands):

	Balance August 31, 2006			Balance August 31, 2007			Balance August 31, 2008
		Additions	Reductions		Additions	Reductions	
Capital Assets Not Being Depreciated							
Land	\$ 2,733	\$	\$	\$ 2,733	\$	\$	\$ 2,733
Library	899	5		904	4		908
Total Capital Assets, Not Being Depreciated	<u>3,632</u>	<u>5</u>		<u>3,637</u>	<u>4</u>		<u>3,641</u>
Capital Assets Being Depreciated							
Land Improvements	1,133			1,133			1,133
Infrastructure	1,275			1,275	1,628		2,903
Buildings	166,131	81		166,212	767		166,979
Building Improvements	24,779	874		25,653	896		26,549
Equipment	6,247	340	56	6,531	821	253	7,099
Total Capital Assets, Being Depreciated	<u>199,565</u>	<u>1,295</u>	<u>56</u>	<u>200,804</u>	<u>4,112</u>	<u>253</u>	<u>204,663</u>
Total Capital Assets	<u>203,197</u>	<u>1,300</u>	<u>56</u>	<u>204,441</u>	<u>4,116</u>	<u>253</u>	<u>208,304</u>
Less Accumulated Depreciation:							
Land Improvements	751	48		799	38		837
Infrastructure	736	63		799	116		915
Buildings	75,930	3,115		79,045	3,123		82,168
Building Improvements	12,092	1,219		13,311	1,231		14,542
Equipment	5,204	264	56	5,412	248	253	5,407
Total Accumulated Depreciation	<u>94,713</u>	<u>4,709</u>	<u>56</u>	<u>99,366</u>	<u>4,756</u>	<u>253</u>	<u>103,869</u>
Net Capital Assets Being Depreciated	<u>104,852</u>	<u>(3,414)</u>		<u>101,438</u>	<u>(645)</u>		<u>100,794</u>
Capital Assets - net	<u>\$ 108,484</u>	<u>\$ (3,409)</u>	<u>\$</u>	<u>\$ 105,075</u>	<u>\$ (641)</u>	<u>\$</u>	<u>\$ 104,435</u>

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

7. CAPITAL ASSETS (Continued)

Capital assets of the Faculty-Student Association, the Component unit of Nassau Community College as of August 31, 2008 and 2007, respectively, consisted of the following (dollars in thousands):

	Balance August 31, <u>2008</u>	Balance August 31, <u>2007</u>
Furniture and equipment	\$ 337	\$ 284
Vans	<u>225</u>	<u>194</u>
	562	478
Less accumulated depreciation	<u>(345)</u>	<u>(280)</u>
Total Capital assets (net)	<u>\$ 217</u>	<u>\$ 198</u>

Total capital assets of the Nassau Community College and Faculty-Student Association, the component unit of Nassau Community College as of August 31, 2008, was \$205,225 with accumulated depreciation of \$104,214

8. LEASES

The County leases some property and equipment. Leased property having elements of ownership is recorded in the government-wide financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in the government-wide financial statements. The County leases a building valued at \$5.5 million, under a capital lease. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable. Total expenditures on such leases for the fiscal year ended December 31, 2008 and 2007 were approximately \$7.7 and \$7.2 million, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

8. LEASES (Continued)

The County (excluding discretely presented component units) had future minimum payments under capital and operating leases with a remaining term in excess of one year as follows (dollars in thousands):

	<u>Capital Lease</u>	<u>Operating Leases</u>	<u>Total Capital & Operating Leases</u>
Governmental Activities			
Fiscal Year ending December 31:			
2009	\$ 757	\$ 7,871	\$ 8,628
2010	766	7,419	8,185
2011	777	7,545	8,322
2012	787	7,689	8,476
2013	799	7,646	8,445
2014-2018	4,172	21,286	25,458
2019-2023	4,506		4,506
2024-2026	<u>1,503</u>		<u>1,503</u>
Future Minimum Payments	14,067	<u>\$ 59,456</u>	<u>\$ 73,523</u>
Less Interest	<u>8,545</u>		
Present value of future Minimum lease payments	<u>\$ 5,522</u>		

The County also leases County-owned property to others and the leases are classified as operating leases. Total rental revenue on these leases for 2008 and 2007 was \$6.0 and \$5.9 million, respectively.

As of December 31, 2008, the following future minimum rentals are provided for by the leases (dollars in thousands):

Fiscal year ending December 31:	<u>Operating Leases</u>
2009	\$ 6,041
2010	6,168
2011	6,216
2012	6,231
2013	6,271
2014-2018	25,683
2019-2023	11,022
2024-2028	2,441
2029-2033	<u>559</u>
Total	<u>\$ 70,632</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

8. LEASES (Continued)

These leases are for land and buildings with the total cost and carrying amount of \$10,552,023 for land, and the original cost, accumulated depreciation and carrying cost of \$19,793,464, \$19,546,046 and \$247,418 respectively for buildings at December 31, 2008.

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS**County of Nassau Notes Payable**

On June 18, 2008, the County issued Revenue Anticipation Notes in the amount of \$ 105 million to finance cash flow needs within the County.

On December 18, 2008, the County issued \$ 85 million Tax Anticipation Notes, Series 2008A and \$47 million Tax Anticipation Notes, Series 2008B, (the "2008A Notes" and "2008B Notes", respectively). The Notes were issued to finance cash flow needs of the County. The 2008A Notes bear interest at the rate of 2.0% to 2.5% per annum, pay interest only at maturity, and will mature on September 30, 2009. The 2008B Notes bear interest at the rate of 2.25% to 2.5% per annum, pay interest only at maturity, and will mature on October 30, 2009.

On December 18, 2008, the County issued \$ 125 million Bond Anticipation Notes, Series 2008 to finance cash flow needs of the County (\$ 122.6 million) and Nassau Community College (\$ 2.4 million) capital projects.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

County of Nassau Notes Payable (Continued)

Governmental fund notes payable of the County, including the range of interest rates, issue dates, and maturity dates, are as follows (dollars in thousands):

	<u>Balance, December 31, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2008</u>
General Fund:							
Tax Anticipation Notes - (2.0% to 3.75% issued 2006 to 2008, maturity dates in 2008 to 2009)	\$ 150,000	\$ 125,000	\$ 150,000	\$ 125,000	\$ 132,000	\$ 125,000	\$ 132,000
Revenue Anticipation Notes - (3.0% to 4.25% issued in 2007 to 2008, maturity dates in 2008 to 2009)	_____	75,000	_____	75,000	105,000	75,000	105,000
Total General Fund	<u>\$ 150,000</u>	<u>\$ 200,000</u>	<u>\$ 150,000</u>	<u>\$ 200,000</u>	<u>\$ 237,000</u>	<u>\$ 200,000</u>	<u>\$ 237,000</u>
County Capital Projects Funds:							
Bond Anticipation Notes - (2.5% issued in 2008, maturity dates in 2009):							
General County Projects	\$	\$ 77,175	\$	\$ 77,175	\$ 57,242	\$ 77,175	\$ 57,242
Tax Certiorari and Other Judgments*					50,757	50,757	
Sewage and Storm water Projects		2,406		2,406	3,782	2,406	3,782
Sewage Disposal Districts		6,796		6,796	10,835	6,796	10,835
Sewage Collection Districts	_____	21	_____	21	_____	21	_____
Total County Capital Projects Funds	<u>\$</u>	<u>\$ 86,398</u>	<u>\$</u>	<u>\$ 86,398</u>	<u>\$ 122,616</u>	<u>\$ 137,155</u>	<u>\$ 71,859</u>
Component Unit:							
Bond Anticipation Notes - (3.625% issued in 2007, maturity date in 2008):							
Nassau Community College	\$	\$ 947	\$	\$ 947	\$ 2,384	\$ 947	\$ 2,384

* The \$50,757 million of Bond Anticipation Notes (BANS) issued in the General Fund for Tax Certiorari and Other Judgment payments have been redeemed by bonds issued in June 2009.

Reconciliation of BANS reported

BANS outstanding per above and Exhibit X-3	\$ 71,859
BANS used for Tax Certiorari and Other Judgments reported as long term debt due to funding by bonds June 2009	_____ 50,757
BANS outstanding per Exhibit X-1	<u>\$ 122,616</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Long – Term Obligations

Long-term obligations of the County, NIFA, NCTSC and NCSSWFA are recorded in the government-wide financial statements of net assets. The amounts including the range of interest rates, issue dates, and maturity dates, are as follows (dollars in thousands):

	Balance December 31, 2006			Balance December 31, 2007			Balance December 31, 2008		Due Within One Year
	Balance	Additions	Reductions	Balance	Additions	Reductions	Balance	Due Within	
General Long-Term Obligations									
Debt:									
General Obligation County Bonds - (2.90% to 11.50%, issued in 1970 through 2000, maturity dates 2002 through 2028)	\$ 382,036	\$ 74,562	\$ 93,298	\$ 363,300	\$ 272,863	\$ 96,671	\$ 539,492	\$ 76,761	
Sewage purpose bonds - (2.20% to 7.90%, issued in 1970 through 2000, maturity dates 2002 through 2033) - County	105,176		21,784	83,392	20,000	24,327	79,065	16,575	
State Water Pollution Control Revolving Fund revenue bonds - (1.46% to 7.10%, issued in 1991 through 2005, maturity dates 2002 through 2034) - County	155,814	356	8,791	147,379		8,569	138,810	8,726	
Total Serial Bonds - County	643,026	74,918	123,873	594,071	292,863	129,567	757,367	102,062	
Sales Tax Secured Bonds -NIFA, various interest rates % and maturity dates	2,038,500		79,975	1,958,525	728,240	811,690	1,875,075	104,265	
Nassau County Sewer and Storm Water Finance Authority System Revenue Bonds, Series 2004A&B & Series 2008A (2004-2028)	75,450		3,225	72,225	152,240	48,670	175,795	6,545	
Tobacco Settlement Asset-Backed Bonds, Series A (variable rate) Term Bond Due 2029 with mandatory sinking fund redemptions 2004-2039 - NCTSC, Series 2006A&B	431,034			431,034		4,683	426,351	2,105	
Total Serial Bonds - NIFA, NCSSWFA, NCTSC	2,544,984		83,200	2,461,784	880,480	865,043	2,477,221	112,915	
Total Serial Bonds	3,188,010	74,918	207,073	3,055,855	1,173,343	994,610	3,234,588	214,977	
Other:									
Deferred Payroll	36,837	15,535	7,105	45,267	23,627	15,295	53,599	15,032	
Accrued Vacation and Sick Pay	536,831	60,328	36,580	560,579	48,665	38,338	570,906	38,079	
Capital Lease Obligations	5,567		17	5,550		28	5,522	40	
Estimated Tax Certiorari Payable	137,200	51,708	87,059	101,849	135,901	98,768	138,982	50,000	
Estimated Liability for Litigation & Malpractice Claims	225,000	34,361	34,361	225,000	17,329	17,329	225,000	5,531	
Estimated Liability for Workers' Compensation	132,631	10,209	18,644	124,196	147,269	22,549	248,916	17,502	
Total Other	1,074,066	172,141	183,766	1,062,441	372,791	192,307	1,242,925	126,184	
Total General Long-Term Obligations	\$ 4,262,076	\$ 247,059	\$ 390,839	\$ 4,118,296	\$ 1,546,134	\$ 1,186,917	\$ 4,477,513	\$ 341,161	

Revenues from the Special Revenue Sewer Funds will be utilized to finance the debt service for the Sewer purpose bonds and a portion of the State Water Pollution Control Revolving Fund revenue bonds. All other debt service will be financed by the General Fund. Also, for the governmental activities, claims and judgments are generally liquidated by the general fund and compensated absences are liquidated principally by the general, police, and fire safety funds.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Long – Term Obligations (Continued)

The annual requirements and sources to amortize the County’s General Obligation serial bonds payable as of December 31, 2008 are as follows (dollars in thousands):

Year Ending	Debt Service Requirements			Sources		
	Principal	Interest	Total	General County	Sewer District	Total
				Budgets	Budgets	
2009	\$ 102,062	\$ 113,337	\$ 215,399	\$ 179,068	\$ 36,331	\$ 215,399
2010	94,739	104,170	198,909	167,181	31,729	198,910
2011	72,925	81,631	154,556	128,000	26,555	154,555
2012	49,055	55,976	105,031	80,941	24,090	105,031
2013	44,836	51,675	96,511	75,506	21,006	96,512
2014-2018	172,673	194,869	367,542	289,113	78,429	367,542
2019-2023	151,283	144,463	295,746	238,636	57,110	295,746
2024-2028	62,874	53,583	116,457	94,967	21,489	116,456
2029-2033	6,850	709	7,559		7,559	7,559
2034-2038	70	2	72		72	72
Total	\$ 757,367	\$ 800,415	\$ 1,557,782	\$ 1,253,412	\$ 304,370	\$ 1,557,782

The County’s constitutional debt margin was approximately \$18.7 and \$16.7 billion and total long-term obligation bonds authorized but unissued for general County and sewage district purposes were approximately \$ 1,399.0 and \$1,265.7 million at December 31, 2008 and 2007, respectively.

NIFA Long-Term Debt

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

	Balance			Balance		
	December 31, 2007	Additions	Reductions	December 31, 2008	Due within one year	Non-current
Bonds payable:						
Sales tax secured bonds payable	\$ 1,958,525	\$ 728,240	\$ (811,690)	\$ 1,875,075	\$ 104,265	\$ 1,770,810
Premiums	76,261		(23,246)	53,015	4,100	48,915
Total bonds payable	2,034,786	728,240	(834,936)	1,928,090	108,365	1,819,725
OPEB liability	788	120	(16)	892	16	876
Compensated absences	392		(124)	268		268
Total long term debt	\$ 2,035,966	\$ 728,360	\$ (835,076)	\$ 1,929,250	\$ 108,381	\$ 1,820,869

Bonds of the Authority are issued pursuant to an Indenture, as supplemented and amended (the “Indenture”) between the Authority and the United States Trust Company of New York and its successor The Bank of New York Mellon (the “Trustee”), under which the Authority has pledged its right, title and interest in the revenues of the Authority to secure repayment of Authority debt. The Act provides that the Authority’s pledge of its revenues represents a perfected first security interest on behalf of holders of its

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)***NIFA Long-Term Debt (Continued)***

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

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

Years Ending December 31,	Principal	Interest*	Total
2009	\$ 104,265	\$ 81,218	\$ 185,483
2010	104,930	76,296	181,226
2011	119,690	71,446	191,136
2012	144,725	65,844	210,569
2013	151,510	58,768	210,278
2014-2018	566,315	167,773	734,088
2019-2023	542,380	90,510	632,890
2024-2025	<u>141,260</u>	<u>10,022</u>	<u>151,282</u>
	<u>\$ 1,875,075</u>	<u>\$ 621,877</u>	<u>\$ 2,496,952</u>

* Interest on the Variable Rate Bonds is calculated at 5%. During 2008, the interest rate on the Variable Rate Bonds ranged from 0.5% to 8.8%.

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

SWAP AGREEMENTS

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

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

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)**NIFA Long-Term Debt (Continued)**

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

Risks Associated with the Swap Agreements - From NIFA’s perspective, the following risks are generally associated with swap agreements:

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

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

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

Counterparty	Dollars in millions	Notional percentage
GSMMDP	\$ 275	45.8%
UBS AG	275	45.8%
MSCS	<u>50</u>	<u>8.4%</u>
	<u>\$ 600</u>	<u>100.0%</u>

NIFA insured its performance in connection with the swaps associated with the Series 2004 B-G bonds with Ambac Assurance Corporation (“Ambac”), which is rated Baa1/A/NR (Moody’s/S&P/Fitch), including NIFA termination payments. NIFA’s payments to the counterparties on the swaps associated with the Series 2004 I-K bonds are insured with CDC IXIS Financial Guaranty North America, Inc. (“CIFG NA”), which is rated B3/B/NR (Moody’s/S&P/Fitch). However, termination payments from NIFA are not guaranteed except on NIFA’s swap with UBS AG, where it is guaranteed up to a maximum of \$2 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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)**NIFA Long-Term Debt (Continued)**

associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there is a net benefit to NIFA.

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

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

The swaps use International Swaps and Derivative Association ("ISDA") documentation and use standard provisions regarding termination events with one exception: if the termination amount is over \$5 million for the Authority, the Authority can pay such excess amount over six months, financing the delay at LIBOR, plus 1%. However, adverse termination for credit deterioration is unlikely due to 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 auction rate bonds.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

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

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

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

(1) Moodys/S&P/Fitch.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NIFA Long-Term Debt (Continued)

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

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

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

NCSSWFA Long-Term Debt

The Authority issued its System Revenue Bonds, 2008 Series A (the “2008A Bonds”) pursuant to the Authority’s General Revenue Bond Resolution dated as of March 1, 2004, as supplemented by a Third Supplemental Resolution dated as of May 13, 2008.

The 2008A Bonds were issued to refund the 2004 Series A (the “2004A Bonds”) Authority Bonds, to refund all of the Authority’s Tax-Exempt Commercial Paper Notes outstanding at December 31, 2008, and to pay for the related costs of issuance and refinancing.

Each 2008A Bond maturing on November 1, 2023 and November 1, 2028 is subject to redemption on or after November 1, 2018 at the option of the Authority, in whole, or in part by lot on any date, at a Redemption Price of 100% of the principal amount of such 2008A Bond or portions thereof to be redeemed, plus accrued interest to the date of redemption. The 2008A Bonds bear interest rates ranging from 3.000% to 5.375%, per annum.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)**NCSSWFA Long-Term Debt (Continued)**

Berkshire Hathaway Assurance Corporation has provided a bond insurance policy for certain of the Series 2008A Bonds.

The 2004A Bonds were issued to refund a portion of the County Bonds associated with the System and to pay for the related costs of issuance and refinancing.

The 2004A Bonds bore interest at an auction rate, which rates varied from 3.60% to 9.18% per annum at December 31, 2008, and were wholly refunded by the 2008A Bonds in 2008.

The Authority issued its System Revenue Bonds, 2004 Series B (the "2004B Bonds") pursuant to the Authority's General Revenue Bond Resolution dated as of March 1, 2004, as supplemented by a Second Supplemental Resolution dated as of October 1, 2004. Proceeds of the 2004B Bonds included a \$1,787,498 original issue premium.

The 2004B Bonds were issued to refund a portion of the County Bonds associated with the System and to pay for the related costs of issuance and refinancing.

Each 2004B Bond maturing on and after October 1, 2015, is subject to redemption on or after October 1, 2014, at the option of the Authority, in whole on any date, or in part by lot on any interest payment date, at a redemption price of 100% of the principal amount of such 2004B Bond or portion thereof to be redeemed, plus accrued interest to the date of redemption. The 2004B Bonds bear interest rates ranging from 2.5% to 5.0%, per annum.

MBIA Insurance Corporation has provided a bond insurance policy for each of the Series 2004A Bonds and the Series 2004B Bonds.

The Authority issued \$7,345,000 and \$24,700,000 of Tax-Exempt Commercial Paper Notes in 2008 and 2007, respectively, at interest rates ranging between 0.5% and 4.0%. Rollovers totaled \$1,330,005 in 2008. As of December 31, 2008 there were no Tax-Exempt Commercial Paper Notes outstanding.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NCSSWFA Long-Term Debt (Continued)

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

Year	Ending	Principal	Interest	Total
2009	\$ 6,545	\$ 8,279	\$ 14,824	
2010	7,295	8,321	15,616	
2011	7,360	7,992	15,352	
2012	7,800	7,679	15,479	
2013	7,955	7,310	15,265	
2014-2018	44,780	31,036	75,816	
2019-2023	55,040	19,115	74,155	
2024-2028	39,020	6,271	45,291	
Total	<u>\$ 175,795</u>	<u>\$ 96,003</u>	<u>\$ 271,798</u>	

NCTSC Long-Term Debt

In 1999, the NCTSC issued \$294,500,000 of the 1999 Bonds. On April 5, 2006, NCTSC issued \$431,034,246 of Tobacco Settlement Asset-Backed Bonds, Series 2006 (“Series 2006 Bonds”) pursuant to an Amended and Restated Indenture dated as of March 1, 2006 (“Indenture”). The Series 2006 Bonds consist of the “Series 2006A-1 Taxable Senior Current Interest Bonds” of \$42,645,000, the “Series 2006A-2 Senior Convertible Bonds” of \$37,905,610, the “Series 2006A-3 Senior Current Interest Bonds” of \$291,540,000, and the “Series 2006B-E Subordinate CABs” of \$58,943,636. Unless otherwise indicated, defined terms have the meanings ascribed to them in the Offering Circular for the Series 2006 Bonds dated March 31, 2006.

NCTSC used the proceeds from the Series 2006 Bonds, along with other funds, to (i) refund all of the 1999 Bonds then-currently outstanding in the aggregate principal amount of \$272,125,000; (ii) fund a Senior Liquidity Reserve for the Series 2006 Senior Bonds of \$24,009,156; (iii) pay the costs of issuance of the Series 2006 Bonds; (iv) fund certain projected requirements for the Operating Account; (v) fund interest on the Series 2006 Bonds through the December 1, 2007 payment; and (vi) pay certain amounts to the NCTSC Residual Trust as registered owner of the Residual Certificate. Pursuant to the Indenture, TSRs paid on or after April 1, 2008, are subject to the lien of the Indenture.

The payment of the Series 2006 Bonds is dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors including cigarette consumption and the continued operations of the Participating Manufacturers. Such bonds are secured by and payable solely from TSRs and other collateral pledged under the Indenture.

Failure to pay when due any Swap Payment or interest on Senior Bonds or any Serial Maturity or Turbo Term Bond Maturity for Senior Bonds, among other things, will constitute an event of default.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NCTSC Long-Term Debt (Continued)

As described in the Offering Circular, the Series 2006 Bonds were issued with various schedules for, among other things, the payment of interest, principal, sinking fund installments and/or Turbo Redemptions. NCTSC's projected Sinking Fund Installments and interest payments are as follows (dollars in thousands):

Year	Ending	Principal	Interest	Total
2009	\$ 2,105	\$ 18,513	\$ 20,618	
2010	1,270	19,569	20,839	
2011	1,610	19,471	21,081	
2012	1,965	19,349	21,314	
2013	2,340	19,202	21,542	
2014-2018	17,125	93,119	110,244	
2019-2023	32,661	88,369	121,030	
2024-2028	42,416	76,375	118,791	
thereafter	<u>324,859</u>	<u>1,090,497</u>	<u>1,415,356</u>	
Total	<u>\$ 426,351</u>	<u>\$ 1,444,464</u>	<u>\$ 1,870,815</u>	

Nassau Community College Long-Term Debt

Long-term liability activity for the year ended August 31, 2008 follows (dollars in thousands):

	Balance August 31, 2007	Additions	Reductions	Balance August 31, 2008	Due within one year
General Obligation Bonds	\$ 8,680	\$ 4,945	\$ 3,200	\$ 10,425	\$ 2,039
Dormitory Authority - State of NY bonds	32,072		526	31,546	1,552
Litigation Liability	2,500			2,500	
Postemployment Retirement					
Benefits Payable	262,281	21,467	5,900	277,848	
Insurance Reserve Liability	1,873	70		1,943	
Accrued Compensated Absences	<u>45,317</u>	<u>4,021</u>		<u>49,338</u>	<u>1,367</u>
Total long term liabilities	<u>\$ 352,723</u>	<u>\$ 30,503</u>	<u>\$ 9,626</u>	<u>\$ 373,600</u>	<u>\$ 4,958</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)**Nassau Community College Long-Term Debt (Continued)**

Dormitory Authority - State of New York - The College has entered into financing agreements with the Dormitory Authority - State of New York (the "Authority" or "DASNY") for the purpose of financing the State's one-half share of various capital construction costs. The Bonds are special obligations of the Authority, payable from amounts to be appropriated each year by the State pursuant to a provision of the State Education Law, and from moneys in the Debt Service Reserve Fund held by the Trustee. The amounts to be appropriated annually are assigned under the agreement from the County to the Authority. The Authority has no taxing power. Accordingly, under the Constitution of the State of New York, the availability of funds to make Annual Payments is subject to annual appropriations being made by the State Legislature. The State Education Law that allows the State to make these appropriations does not constitute a legally enforceable obligation of the State and the State is not legally required to appropriate such funds. The Bonds are not a debt of the State and the State is not liable for them.

The aggregate amount due the Authority under the agreement in each bond year (the "Annual Payments") is equal to debt service on the bonds plus certain administrative and other expenses of the Authority. No revenues or assets of the College or the County have been pledged or will be available to pay the debt service on the bonds. The County has not pledged its full faith and credit to the payments of principal and interest on the bonds. The Authority will not have title to, a lien on or a security interest in any of the projects being financed by the bonds or in other property of the County or College.

County of Nassau - The County of Nassau has issued general obligation serial bonds in the name of the County for various College construction projects. The amount of serial bonds outstanding at August 31, 2008 is \$10,425,254 and principal is scheduled to mature from 2009 to 2028. This debt is the obligation of the County. No revenues or assets of the College have been pledged or will be available to pay debt service on the bonds. The County has pledged its full faith and credit to the payment of principal and interest on the bonds. As of August 31, 2008, principal and interest payments relating to the DASNY and General Obligation bonds are as follow (dollars in thousands):

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

Nassau Community College Long-Term Debt (Continued)

Principal			
Year Ending	General		
August 31	DASNY	Obligations	Total
2009	\$ 1,552	\$ 2,039	\$ 3,591
2010	1,623	1,298	2,921
2011	1,702	1,085	2,787
2012	1,456	901	2,357
2013	1,506	821	2,327
2014-2018	9,802	2,138	11,940
2019-2023	10,718	1,395	12,113
2024-2028	2,010	748	2,758
2029-2033	1,112		1,112
2034-2035	<u>65</u>	<u></u>	<u>65</u>
Total	<u>\$ 31,546</u>	<u>\$ 10,425</u>	<u>\$ 41,971</u>

Interest			
Year Ending	General		
August 31	DASNY	Obligations	Total
2009	\$ 1,487	\$ 468	\$ 1,955
2010	1,418	387	1,805
2011	1,339	315	1,654
2012	1,258	264	1,522
2013	1,210	221	1,431
2014-2018	4,985	687	5,672
2019-2023	2,219	323	2,542
2024-2028	549	77	626
2029-2033	129		129
2034-2035	<u>5</u>	<u></u>	<u>5</u>
Total	<u>\$ 14,599</u>	<u>\$ 2,742</u>	<u>\$ 17,341</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)**Nassau Community College Long-Term Debt (Continued)**

Interest on the DASNY and General Obligation bonds range from 3.094% to 5.5% and from 3.25% to 9%, respectively. The current amortization expense for the deferred financing costs for these bonds is \$193,218.

On January 24, 2007, the County issued Bond Anticipation Notes in the amount of \$947,567 on behalf of the College to temporarily fund capital project expenditures. The Notes were paid in full on February 24, 2008. In December, 2007, the County issued \$75,000,000 General Obligation Bonds of which \$526,104 were earmarked for the various College construction projects. In January, 2008, the County issued \$125,000,000 General Obligation Bonds Series A and B, and in June, 2008 the County issued \$171,810,000 General

Obligation Bonds Series C and D, of which \$3,841,453 were earmarked for the various College construction projects and \$559,603 were issued to refund existing College related debt in the amount of \$577,751.

NHCC Long-Term Debt

In October 2004, the Series 2004 Bonds were issued to refund the NHCC Series 1999 Revenue Bonds, finance capital projects and pay the costs of issuance, including the required premium of the Bond Insurer. The bond issuance resulted in NHCC receiving approximately \$41 million of cash at closing of which \$26 million is available for working capital and \$15 million for financing new capital project. The net present value savings from lower debt service payment requirements was approximately \$22 million. In connection with the refunding, the NHCC incurred a loss of approximately \$38 million. The loss (the difference between the reacquisition price and the net carrying amount of the old debt) is carried as a deferred item, net in long-term debt in the accompanying consolidated balance sheet. Amortization of the deferred loss is \$2.3 million for each of the years ended December 31, 2008 and 2007.

The County guarantees to the Trustee, the Owners of Series 2004 Bonds and the Bond Insurer, the full and prompt payment of the principal and interest of Series of 2004 Bonds. The County guaranty may be amended without consent of the bond owners but only with consent of the Bond Insurer. Payments with respect to principal of and interest in the Series 2004 bonds under the County guaranty are required to be made directly by the County to the Trustee. Pursuant to the Stabilization Agreement, superseded by the Successor Agreement, the County deposits Article VI Health Center subsidies, payable to the NHCC monthly, in an escrow account reserved for payment of the Series 2004 Bonds. In addition to the County guarantee, the bond payments are insured by a municipal bond insurance policy, through a commercial insurer. In 2006, NHCC agreed to forego the historical mission service payments due to the change in NHCC's IGT entitlement. The Successor Agreement, which commenced in November 2007 and is in effect to 2029, clarifies the services provided by NHCC to the County and establishes the mechanism for payments to the Corporation. The agreement also provides NHCC with capital funding.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)

NHCC Long-Term Debt (Continued)

Long-term debt at December 31, 2008 and 2007 consists of the following (dollars in thousands):

	December 31, 2008	December 31, 2007
2004 Series A Bonds payable at varying dates through August 1, 2022 bearing interest at taxable variable rates	\$ 25,775	\$ 59,475
2004 Series B Bonds payable at varying dates through August 1, 2014 at tax-exempt fixed interest rates ranging from 3.0% to 5.0%	16,735	17,126
2004 Series C Bonds payable at varying dates through August 1, 2029 bearing interest at tax-exempt variable rates	<u>219,610</u>	<u>219,610</u>
	262,120	296,211
Deferred loss on refunding	(27,860)	(30,169)
Net unamortized bond premium	669	897
Current portion	<u>(2,065)</u>	<u>(2,390)</u>
Total long term debt	<u>\$ 232,864</u>	<u>\$ 264,549</u>

Principal payments are due annually on August 1. Interest payments are due semiannually on February 1 and August 1. Payments applicable to long-term debt for years subsequent to December 31, 2008 are as follows (dollars in thousands):

Years Ending December 31,	Estimated		
	Principal	Interest	Total
2009	\$ 2,065	\$ 9,858	\$ 11,923
2010	2,420	9,765	12,185
2011	2,440	9,614	12,054
2012	4,815	9,407	14,222
2013	3,960	9,137	13,097
2014-2018	61,635	38,477	100,112
2019-2023	74,715	26,248	100,963
2024-2028	89,990	10,855	100,845
2029	<u>20,080</u>	<u>1,140</u>	<u>21,220</u>
	<u>\$ 262,120</u>	<u>\$ 124,501</u>	<u>\$ 386,621</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

9. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)**NHCC Long-Term Debt (Continued)**

In connection with the issuance of the Series 2004 Bonds, the NHCC entered into interest rate swap agreements with commercial banks to convert the variable interest rate Series C Bonds to a fixed interest rate based on total initial notional amount of \$220 million. The fixed interest rate paid by the NHCC under the swap agreements is 3.46% and the variable rate received is based on LIBOR. The swap agreements expire on August 1, 2029.

NHCC also entered into a cancelable swap agreement with a commercial bank to convert the variable interest rate Series A Bonds to a fixed interest rate based on an initial notional amount of \$65 million. The fixed interest rate paid by the NHCC under the swap agreement is 4.61% and the variable rate received is based on LIBOR. The swap agreement expires on August 1, 2012.

The swap agreements expose the NHCC to market risk in the event of changes in interest rates, and credit risk in the event of nonperformance by the counterparty. However, the NHCC believes that the risk of a material impact to its financial condition arising from such events is low. The County guarantees payments to the swap contract counterparties. The fair value of the derivative instruments was a liability of approximately \$39.5 million at December 31, 2008 and \$5.9 million at December 31, 2007.

In 2008, NHCC received a \$37 million grant award from the Health Care Efficiency and Affordability Law for New Yorkers Capital Grant Program ("HEAL"), as established pursuant to Section 2818 of the Public Health Law. A portion HEAL grant award will be used by NHCC to redeem approximately \$34 million of the 2004 Series A bonds. The redemption does not impact the 2008 amortization of the bonds.

10. REFINANCING OF LONG-TERM OBLIGATIONS

Prior to December 31, 2008, the County defeased certain general obligation bonds and Combined Sewer District Bonds by refinancing them and placing the proceeds of the new bonds in an irrevocable trust 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 County's financial statements. As of December 31, 2008 and 2007, approximately \$319.4 million and \$365.5 million of outstanding bonds (including NIFA), respectively, are considered defeased.

11. PENSION PLANS

Plan Descriptions - The County participates in the New York State and Local Employees' Retirement System ("ERS"), the New York State and Local Police and Fire Retirement System ("PFRS") and the Public Employees' Group Life Insurance Plan ("Systems"). These are cost-sharing multiple-employer defined benefit retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information.

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

11. PENSION PLANS (Continued)

Plan Descriptions (Continued)

That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy - The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. The State passed legislation in 2000 that suspends the 3% contribution for employees who have 10 years or more of credited service. In addition, members who meet certain eligibility requirement will receive one month's additional service credit for each completed year of service up to a maximum of two additional years of service credit. Under the authority of the NYSRSSL, the NYS 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 the employers to the pension accumulation fund. The County is required to contribute an actuarially determined amount.

In addition, legislation enacted in New York State during 2004 changed the date by which municipalities are required to make yearly New York State & Local Retirement System contributions, from December 15 to February 1 of the following year. Consistent with GASB's guidance, the County recognized this liability during 2004 for financial reporting purposes. As a result of the new State legislation, which was enacted to grant counties budgetary relief, the Nassau County Legislature established a reserve to fund anticipated higher pension costs in 2006, 2007 and 2008. During 2008, the County used approximately \$24.5 million of the Retirement Contribution Reserve Fund to offset a portion the 2008 pension expense. The balance remaining in that reserve at December 31, 2008 is approximately \$0.5 million. The use of such funds is under the control of the Nassau County Legislature.

The required contributions for the current year and two preceding years were (dollars in thousands):

		<u>ERS</u>		<u>PFRS</u>
2008	\$	46,306	\$	55,882
2007		50,642		56,575
2006		54,531		60,497

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

12. RECONCILIATION OF GAAP FUND BALANCES TO BUDGETARY BASIS

The following reconciles fund balances at December 31, 2008 as prepared on a GAAP basis to the budgetary basis of reporting (dollars in thousands):

	General	Police District Fund	Police Headquarters Fund	Fire Prevention, Safety, Communication and Education Fund	Sewer & Storm Water District Fund	Capital Fund	Nonmajor Governmental Funds
Fund Balances at December 31, 2008 Prepared in Accordance with GAAP	\$ 130,541	\$ (5,906)	\$ 3,106	\$ 11	\$ 134,670	\$ 44,757	\$ 127,070
Add:							
Funding for Tax Certiorari and Other Judgements	75,763						
Medicare and Pension Benefits - Accrual Basis Only	11,195	11,451	(1,584)	(11)	(123)		
Less:							
Encumbrances	(72,597)	(542)	(1,522)		(5,147)		
Payments for Tax Certiorari and Other Judgments	(75,763)						
Unbudgeted Grant Fund							(29,177)
Unbudgeted NCTSC General Fund							561
Open Space Fund							(1,438)
Unbudgeted Sewage Disposal Construction Fund							(5,621)
Unbudgeted Sewer and Storm Water District							(6,216)
Unbudgeted Sewage Collection Construction Fund							(148)
Unbudgeted Capital Project Fund						(44,757)	
Unbudgeted NCTSC Debt Service Fund							(25,230)
Unbudgeted SFA General Fund							(29,169)
Unbudgeted NIFA Debt Service Fund							(20,256)
Fund Balances at December 31, 2008 Prepared on the Budgetary Basis of Reporting	<u>\$ 69,139</u>	<u>\$ 5,003</u>	<u>\$</u>	<u>\$</u>	<u>\$ 129,400</u>	<u>\$</u>	<u>\$ 10,376</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

12. RECONCILIATION OF GAAP FUND BALANCES TO BUDGETARY BASIS (Continued)

The following reconciles fund balances at December 31, 2007 as prepared on a GAAP basis to the budgetary basis of reporting (dollars in thousands):

	General	Police District Fund	Police Headquarters Fund	Fire Prevention, Safety, Communication and Education Fund	Sewer & Storm Water District Fund	Capital Fund	Nonmajor Governmental Funds
Fund Balances at December 31, 2007 Prepared in Accordance with GAAP	\$ 138,314	\$ 6,731	\$ 941	\$ (38)	\$ 170,596	\$ (20,907)	\$ (3,443)
Add:							
Funding for Tax Certiorari and Other Judgements	13,707						
Medicare and Pension Benefits - Accrual Basis Only	13,069	6,088		38	(160)		
Less:							
Encumbrances	(73,592)	(670)	(941)		(8,462)		(35)
Payments for Tax Certiorari and Other Judgments	(13,707)						
Unbudgeted Grant Fund							(17,604)
Unbudgeted NIFA Capital Projects Fund							(2,649)
Unbudgeted NCTSC General Fund							416
Open Space Fund							(1,363)
Unbudgeted Sewage Disposal Construction Fund							15,626
Unbudgeted Sewer and Storm Water District							3,797
Unbudgeted Sewage Collection Construction Fund							444
Unbudgeted Capital Project Fund						20,907	
Unbudgeted NCTSC Debt Service Fund							(24,682)
Unbudgeted SFA Debt Service Fund							42,815
Unbudgeted SFA General Fund							7,226
Unbudgeted NIFA Debt Service Fund							(15,718)
Fund Balances at December 31, 2007 Prepared on the Budgetary Basis of Reporting	\$ 77,791	\$ 12,149	\$	\$	\$ 161,974	\$	\$ 4,830

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

13. DESIGNATION OF UNRESERVED FUND BALANCES

Portions of the unreserved fund balances at December 31, 2008 and 2007 were designated as sources of revenue in the ensuing year’s operating budgets as follows (dollars in thousands)

<u>Nonmajor Governmental Funds</u>	<u>Total Fund Balance (Deficit) Unreserved</u>	<u>Fund Balance Unreserved and Designated for Ensuing Year’s Budget</u>	<u>Fund Balance (Deficit) Unreserved and Undesignated</u>
December 31, 2008	\$ (33,864)	\$ _____	\$ (33,864)
December 31, 2007	\$ (116,410)	\$ _____	\$ (116,410)
 <u>Major Governmental Funds</u>			
December 31, 2008	\$ 27,288	\$ 69,496	\$ (42,208)
December 31, 2007	\$ 63,832	\$ 63,203	\$ 629

14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The County provides health care benefits in accordance with New York State Health Insurance Rules and Regulations administered by the New York State Department of Civil Service (the “NYSHIP” plan). The County’s several union contracts and ordinances require the County to provide all eligible enrollees with either the NYSHIP plan or other equivalent health insurance. Substantially all of the County’s retirees and employees are enrolled in the NYSHIP Plan. NYSHIP is a defined benefit agent multiple-employer healthcare plan. Under the provisions of the NYSHIP Plan, premiums are adjusted on a prospective basis for any losses experienced by the NYSHIP Plan. The County has the option to terminate its participation in the NYSHIP Plan at any time without liability for its respective share of any previously incurred loss.

Funding Policy - Eligibility for health benefits upon retirement are governed by Ordinance bargaining unit, age, and years of service. Non-union employees hired after August 2008 are required to have 10 years of governmental service, 5 of which must be with the County to be eligible for post retirement health insurance benefits. CSEA employees hired after August 2003 are required to have 10 years of County employment. All other employees are eligible after 5 years of service. The County contributes 100% of the health insurance costs for the Government Employees Health Insurance program for all police officers and County employees who retired after December 31, 1975, with the exception of Ordinance employees retired after January 1, 2002 who are required to contribute either 5% or 10% of the cost depending on coverage. For employees who retired prior to December 31, 1975, the County’s contribution is reduced in accordance with the union agreement applicable to their respective retirement dates. Nassau County is not required by law to provide funding other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. The County recognizes the expenditure of providing current and postretirement health care benefits in the year to which the insurance

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)**Funding Policy (Continued)**

premiums apply. NYSHIP plan insurance premiums are billed in advance and therefore the County has recorded a prepaid asset for these amounts at December 31, 2008 and 2007. The total cost for providing health care benefits was \$225.4 and \$213.2 million in 2008 and 2007, respectively, of which approximately \$105.3 and \$98.8 million was for retirees and approximately \$120.1 and \$114.4 million was for active employees and other eligible individuals, in 2008 and 2007 respectively. In 2008 and 2007, the subsidy provided by the Medicare Reform Act of 2003 to employers who continued prescription drug coverage for its Medicare eligible retirees of \$6.5 and \$7.1 million respectively was recorded as income.

Annual OPEB Cost and Net OPEB Obligation - The County provides group health care benefits for retirees (and for eligible dependents and survivors of retirees). The following are the retiree contributions for non-union (Ordinance #543) employees:

- Hired prior to January 1, 2002 or earning less than \$30,000 in the year of retirement: none
- Hired on or after January 1, 2002 and earning more than \$30,000 per year in the year of retirement: 5% of premium for single coverage and 10% of the premium for family coverage (contribution rate are the same for Medicare eligible and Medicare ineligible participants)
- Union employees (CSEA Local 830): none
- Public safety employees: none
- Employees who retired prior to 1976 pay contributions (varies as a percentage of the premium)

An actuarially determined valuation of these benefits was performed by an outside consultant to estimate the impact of changes in GASB accounting rules applicable to the retiree medical benefits for retired employees and their eligible dependents.

The County elected to record the entire amount of the Unfunded Actuarial Accrued Liability ("UAAL"), totaling approximately \$3.5 billion in the fiscal year ended December 31, 2007, and not to fund the UAAL. The UAAL, including accrued interest relating to postemployment benefits remains at approximately \$3.5 billion as of December 31, 2008 which included both the County and an allocation of the Nassau Health Care Corporation's cost as of December 31, 2008. The County 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. During the fiscal year ended December 31, 2008, the County paid \$105.3 million on behalf of the Plan.

The County's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount that was actuarially determined by using the Projected Unit Credit Method (one of the actuarial cost methods that meet the requirements with of the GASB Statement No. 45). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The County uses a level dollar amount and an amortization period of one year on an open basis.

Under this method, actuarial gains/losses, as they occur, reduce/increase future Normal Costs.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the elements of the County's annual OPEB cost for the year, the amount actually paid, and changes in the County's net OPEB obligation to the plan for the year ended December 31, 2008. (dollars in thousands):

Calculation of ARC and Annual OPEB Cost

	<u>Nassau County</u>	<u>*Nassau Community College</u>	<u>** Nassau Health Care Corporation</u>	<u>Nassau Regional Off-Track Betting Corp.</u>	<u>Nassau County Interim Finance Authority</u>	<u>Total</u>
Amortization of UAAL	\$ 3,465,346	\$ 272,204	\$ 16,630	\$ 41,954	\$ 822	\$ 3,796,956
Normal Cost at the Beginning of year	91,520	11,047	23,682	1,874	82	128,205
Interest on Normal Cost	4,118	497	1,066	84	4	5,769
Annual Required Contribution	<u>3,560,984</u>	<u>283,748</u>	<u>41,378</u>	<u>43,912</u>	<u>908</u>	<u>3,930,930</u>
Interest on net OPEB Obligations	150,929	11,803	1,841	1,972	35	166,580
Adjustment to ARC	(3,504,911)	(274,084)	(2,511)	(43,912)	(823)	(3,826,241)
Total Annual OPEB cost	<u>207,002</u>	<u>21,467</u>	<u>40,708</u>	<u>1,972</u>	<u>120</u>	<u>271,269</u>
Actual Contributions	<u>105,347</u>	<u>5,900</u>	<u>2,395</u>	<u>842</u>	<u>16</u>	<u>114,500</u>
Increase in net OPEB obligation	101,655	15,567	38,313	1,130	104	156,769
Net OPEB Obligation at December 31, 2007	3,353,982	262,281	40,908	43,828	788	3,701,787
Net OPEB Obligation at December 31, 2008	<u>\$ 3,455,637</u>	<u>\$ 277,848</u>	<u>\$ 79,221</u>	<u>\$ 44,958</u>	<u>\$ 892</u>	<u>\$ 3,858,556</u>

* Nassau Community College data as of fiscal year ended August 31, 2008

** Nassau Health Care Corporation uses a 30 year basis for amortization

As of December 31, 2008, the OPEB liability was approximately \$3.5 billion and the 2008 payroll cost was \$882.4 million or 391.6% of the unfunded liability amount. The County's annual OPEB cost, the actual annual OPEB amount contributed to the plan, and the net OPEB obligation for the fiscal year ended December 31, 2008 and 2007, were as follows (dollars in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Annual OPEB Cost Paid</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 207,002	\$ 105,347	50.9%	\$ 3,455,637
12/31/2007	3,452,801	98,819	2.9%	3,352,982

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions - The OPEB-specific actuarial assumptions used (which is required at least biennially) in the January 1, 2007, OPEB actuarial valuations are as follows:

Valuation date:	January 1, 2007
Actuarial cost method:	Projected Unit Credit Method
Discount rate:	4.50% per annum
Per-capita retiree contributions:	Retiree contributions are assumed to increase at the same rates as incurred claims.

Health insurance benefits are provided by the New York State Health Insurance Plan. This also includes a reimbursement of Medicare Part B premium. Benefits vest at five to ten years of service and are subject to continuous participation in NYSHIP.

The premium rate is used for all non-Medicare eligible retirees and dependents with basic medical coverage.

Initial monthly premium rates are shown in the following table:

Monthly Rate for Fiscal Year 2007	
Pre-65 Non-Medicare:	
Single	\$ 564.84
Family	1,198.07
Post- 65 Medicare:	
Single	333.18
Family	734.81
Medicare (Part B)	93.50 per person

Medicare Part B Premiums	
Calendar Year	Monthly Premium
2006	\$88.50 per person
2007	93.50 per person

Medicare Part B premiums are assumed to increase by the following trend rates;

Calendar Year	Trend Rates
2007	7.00 %
2008	6.67
2009	6.33
2010	6.00
2011	5.75
2012	5.50
2013	5.25
2014 +	5.00

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

No retiree assumed to have income in excess of the threshold, which would result in increasing Part B premium above 25% of Medicare Part B Costs.

Health Care Cost Trend Rate (“HCCTR”) - Covered medical expenses are assumed to increase by the following percentages:

HCCTR Assumptions

Year Ending	Annual Rates of Increase
2007	9.50 %
2008	8.75
2009	8.00
2010	7.25
2011	6.50
2012	6.00
2013	5.50
2014 and later	5.00

Mortality - Mortality rates are those recommended by the actuary:

Preretirement

Age	TRS		ERS	PFRS
	Male	Female		
20	0.0075 %	0.0043 %	0.0510 %	0.0600 %
30	0.0428	0.0262	0.0550	0.0600
40	0.0518	0.0349	0.0980	0.0640
50	0.1326	0.0818	0.2070	0.1430
60	0.1771	0.1331	0.4210	0.7430

Postretirement

Age	ERS		PFRS Unisex	TRS	
	Male	Female		Male	Female
50	0.2441 %	0.2177 %	0.2594 %	0.2579 %	0.2294 %
60	0.7365	0.5332	0.6976	0.6624	0.5525
70	1.8246	1.2686	1.8828	1.8241	1.2021
80	4.6846	3.4091	5.4210	5.3926	3.5874
90	14.5417	11.0872	14.7447	15.7604	12.2460

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

14. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The cost of providing health care to retirees not including the accrual for prior service costs, totaled \$105.3 million during fiscal year 2008 and \$98.8 million during fiscal year 2007.

It should be noted that actuarial valuations have inherent limitations, reflect a long-term perspective, and involve estimates of the value of the reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and of the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal and contractual funding limitations on the pattern of costs sharing between the employer and plan members in the future. Actuarial methods and assumptions used also include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Required Supplemental Information:

The schedule of funding progress presents the results of OPEB valuations as of January 1, 2008 and 2007 for the fiscal year ending December 31, 2008. The schedule provides trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2008	\$ 0	\$ 3,316,121	\$ 3,316,121	0.0%	\$ 882,420	375.8%
1/1/2007	0	3,222,200	3,222,200	0.0%	890,843	361.7%

* Based on the Projected Unit Credit Actuarial Cost Method.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

15. CONTINGENCIES AND COMMITMENTS**A. Claims and Litigation**

The County, its officers and employees are defendants in litigation. Such litigation includes, but is not limited to, actions commenced and claims asserted against the County arising out of alleged torts, alleged breaches of contracts (which include union and employee disputes), condemnation proceedings, medical malpractice actions and other alleged violations of law. The County self-insures for everything except helicopter accidents and employee bonding. The County annually appropriates sums for the payment of judgments and settlements of claims and litigation, which appropriations may be financed, in whole or in part, pursuant to the Local Finance Law by the issuance of County debt. The County intends to defend itself vigorously against all claims and in all litigation. Estimated liabilities of approximately \$225 million for claims and litigation (excluding tax certiorari claims) have been recorded as a long-term liability in the government-wide financial statement of net assets as of December 31, 2008 and 2007. The County Attorney is of the opinion that the ultimate resolution of such claims and litigation outstanding at December 31, 2008 will not result in a material adverse effect on the County's financial position. Approximately \$248.9 and \$124.2 million has been accrued as a liability at December 31, 2008 and 2007, respectively, related to workers' compensation claims where the County Attorney can reasonably estimate the ultimate outcome. In 2008 the methodology used to estimate the long-term liability for worker's compensation claims was changed from valuations discounted by 6% (compounded) to full values. The liability for certain other asserted and unasserted malpractice claims cannot be estimated as of December 31, 2008. All malpractice occurrences prior to September 29, 1999 are the responsibility of the County. Subsequent malpractice occurrences arising from events in connection with NHCC are the responsibility of NHCC.

B. Tax Certioraris

In fiscal 2008 and 2007, respectively, there were approximately 132,992 and 140,397 taxpayers' claims filed against the Board of Assessors, for the incorrect determination of assessed valuation (certiorari proceedings) for the 2009 (May 1, 2008) and 2008 (May 1, 2007) assessment roll, respectively. The total amount of tax certiorari bonds issued and outstanding by both the County and NIFA was approximately \$1.2 billion at December 31, 2008 and \$1.3 billion at December 31, 2007. This amount has been included with serial bonds reported in the government-wide financial statement of net assets. An amount estimated for future settlements and judgments of \$139.0 million and \$101.8 million has also been recorded as a long-term liability in the government-wide financial statements of net assets at December 31, 2008 and 2007, respectively. In prior years, tax certiorari settlements were financed by the issuance of long-term debt or through BANs which are thereafter refinanced by bond issuances. Pursuant to NIFA enabling legislation, beginning in 2006, the County began to pay a portion of property tax refunds from operating funds. For the year ended December 31, 2008, tax certiorari expenditures were \$98.8 million, \$40 million financed by operating funds in addition to \$58.8 million of borrowed funds. For the year ended December 31, 2007, tax certiorari payments were \$87.1 million. In December 2008, the County, issued \$48.2 million of debt for the anticipated payment of future tax certiorari claims.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

15. CONTINGENCIES AND COMMITMENTS (Continued)**C. Contingencies under Grant Programs**

The County participates in a number of Federal and State grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. As of December 31, 2008, the audits of certain programs have not been completed. Provisions for certain expected disallowances, where considered necessary, have been made as of December 31, 2008. In the County's opinion, any additional disallowances resulting from these audits will not be material.

D. Certain Third - Party Reimbursement Matters

Net patient service revenue of NHCC's health facilities included amounts estimated to be reimbursable by third-party payer programs. Such amounts are subject to revision based on changes in a variety of factors as set forth in the applicable regulations. It is the opinion of NHCC's management that adjustments, if any, would not have a material effect on the County's financial position.

E. Insurance

The County carries property insurance on its police helicopters and a blanket fidelity bond covering all County employees. Essentially all other risks are assumed directly by the County. The County suffered no material property losses during 2008 and 2007.

F. Accumulated Vacation and Sick Leave Entitlements

County employees are entitled to accumulate unused vacation leave and sick leave up to certain contractual amounts. At current salary levels, the County's liability for the payment of these accumulations is approximately \$570.9 and \$560.6 million at December 31, 2008 and 2007, respectively. At August 31, 2008 and 2007, the Nassau Community College's vacation leave and sick leave liability was \$49.3 and \$45.3 million, respectively.

G. Deferred Payroll

The County has entered into agreements with the Civil Service Employees' Association ("CSEA"), the Police Benevolent Association, ("PBA"), Superior Officers Association, ("SOA"), and the Detective Association, Inc. ("DAI"), and certain Ordinance employees, to defer 10 days pay which shall be paid to the employee on separation of service at the salary rate then in effect. The County has also entered into bargaining agreements with CSEA, PBA, SOA, DAI, and ShOA that include deferrals of wages and longevity that cover various periods of time during 2007 through 2011 and are scheduled to be paid to the employee during the period 2009 through 2015 depending on the bargaining unit, or at termination at the rate earned. The amount deferred at December 31, 2008 and 2007 was approximately \$ 33.1 million and \$22.6 million, respectively. This deferral is reported as a long-term liability in the government-wide financial statement of net assets, as certain contractual arrangements to provide for the payment of these commitments at specific dates in future fiscal periods. The College, a component unit of the County, entered into a similar agreement in 1992 payable to eligible employees on September 1, 2002. The amount deferred at the College close of August 31, 2008 and 2007 was approximately \$ 1.1 million and \$1.1 million, respectively, and is also reported in the government-wide financial statement

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

15. CONTINGENCIES AND COMMITMENTS (Continued)**G. Deferred Payroll (Continued)**

of net assets. In addition, termination pay for accumulated leave in excess of \$5,000 for CSEA and Ordinance members shall be paid by the County in three equal installments of accumulated days on the three consecutive Januarys following termination. The amount deferred at December 31, 2008 and 2007 was approximately \$ 19.4 million and \$21.6 million, respectively, and is also reported in the government-wide financial statement of net assets.

H. Capital Commitments

At December 31, 2008 and 2007, there were capital project contract commitments of \$223.1 and \$174.9 million, respectively.

I. MTA Commitment

Under the Mass Transportation Funding Agreement (the "Agreement") between the County and Metropolitan Transportation Authority (the "MTA") dated as of December 30, 1996, The County agreed to pay \$102 million over time to the MTA for MTA capital improvements in return for a cash payment or payments totaling \$51 million. As of December 31, 2008, the MTA has paid the County \$51 million under the agreement and the County has paid to the MTA approximately \$81 million for such capital improvements. There has been a long-term disagreement between the County and the MTA as to the validity of any claim by the MTA to any further payments under the Agreement. Authorization for the County to fund any potential further payments under the Agreement nevertheless remains available under approved County bond ordinances.

16. NASSAU HEALTH CARE CORPORATION ("NHCC")

Effective September 29, 1999, the Nassau Health Care Corporation (the "NHCC") acquired the "Health Facilities" of the County. The purchase, pursuant to the terms of an acquisition agreement between the NHCC and the County (the "Acquisition Agreement"), resulted in the transfer of all real property owned by the County on which the Nassau University Medical Center and A. Holly Patterson Extended Care are situated, as defined. Additionally, as defined in the Acquisition Agreement, the County assumed the net accounts receivable and the majority of liability balances, as defined, of the Health Facilities which existed on September 28, 1999, as well as commitments to making annual historic mission payments, funding certain capital projects and other costs associated with NHCC.

NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007

16. NASSAU HEALTH CARE CORPORATION (“NHCC”) (Continued)

At December 31, 2008 and 2007, the NHCC had total net assets deficiency of \$133.3 million and \$121.2 million, respectively. The deficiency arose from operating losses and the adoption of Governmental Accounting Standards Board Statement No. 45. NHCC plans to reduce its net asset deficiency by achieving profitability, continuing to progress with collecting on patient accounts, especially those accounts eligible for Medicaid that are being processed by the Department of Social Services, and cash flow provided by government subsidies and funding of capital projects. NHCC has undertaken a number of initiatives to reduce its operating losses and sustain positive cash flows. Such actions include continued revenue cycle enhancements, changes to medical management practices, improved supply chain and inventory management and further cost reductions and a major modernization program. The modernization program includes significant investments in real estate consolidation, facility improvements, clinical equipment and information technology, the replacement (rebuilding) of the nursing home and enhancements to the community health centers. The Successor Agreement, which commenced in November 2007 and is in effect to 2029, clarifies the services provided by NHCC to the County and establishes the mechanism for payments to the Corporation. The agreement also provides NHCC with capital funding.

17. FUND BALANCE SURPLUS/DEFICIT

The following non-major governmental funds reported surplus/deficits as of December 31 (in thousands):

	<u>2008</u>	<u>2007</u>
Tobacco Settlement Corporation:		
General Fund	\$ (561)	\$ (416)
Debt Service Fund	<u>25,230</u>	<u>24,682</u>
Total	<u>\$ 24,669</u>	<u>\$ 24,266</u>
Sewer Financing Authority:		
General Fund	\$ 29,169	\$ (7,226)
Debt Service Fund	<u> </u>	<u>(42,815)</u>
Total	<u>\$ 29,169</u>	<u>\$ (50,041)</u>

* * * * *

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APPENDIX C

FORM OF BOND COUNSEL OPINION

Letterhead of Orrick, Herrington & Sutcliffe LLP]

August 19, 2009

County of Nassau,
State of New York

Re: County of Nassau, New York

\$50,875,000 GENERAL OBLIGATION BONDS, 2009 REFUNDING SERIES E

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County of Nassau, New York (the "County"), of \$50,875,000 principal amount of General Obligation Bonds, 2009 Refunding Series E, dated date of delivery and maturing June 1, 2010 - 2018 (the "Bonds"). The Bonds are issued pursuant to the Constitution and statutes of the State of New York and proceedings of the finance board of the County.

In such connection, we have reviewed the Constitution and statutes of the State of New York, the Tax Certificate of the County dated the date hereof (the "Tax Certificate"), the Bond Certificate of the County dated the date hereof (the "County Bond Certificate"), a certified copy of proceedings of the finance board of the County and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the County Bond Certificate and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the County Bond Certificate, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to

the limitations on legal remedies against counties in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue or waiver provisions contained in the documents described in the second paragraph hereof. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the County.
2. The County Bond Certificate has been duly executed and remains in full force and effect.
3. The County Legislature has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the County's boundaries subject to taxation by the County for the payment of the Bonds and the interest thereon.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes although we observe that intent is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

APPENDIX D
OUTSTANDING OBLIGATIONS

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County of Nassau, New York
General Obligation Bonds of the County and Nassau County Interim Finance Authority Bonds
as of July 31, 2009

County General Improvement Bonds

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding as of 7/31/09
7/21/09	General Improvement Series 2009C	\$135,300,000	5.00% - 5.25%	2010 -2039	\$135,300,000
5/5/09	General Improvement Series 2009A	99,000,000	2.50% - 5.00%	2011 -2029	99,000,000
7/8/08	General Improvement Series 2008D	22,285,000	4.00% - 5.00%	2009 -2019	149,525,000
7/8/08	General Improvement Series 2008C	149,525,000	0.00% - 5.00%	2010 -2028	22,180,000
1/22/08	General Improvement Series 2008A	105,000,000	3.25% -5.00%	2009 -2028	101,605,000
12/13/07	General Improvement Series 2007A	35,000,000	VRDB	2009 -2023	35,000,000
12/13/07	General Improvement Series 2007B	40,000,000	VRDB	2009 -2024	40,000,000
5/1/00	General Improvement Series 2000E	90,000,000	5.25% -7.00%	2002 -2020	9,365,000
5/1/00	General Improvement Series 2000F	151,149,000	6.50% -7.00%	2001 -2020	4,945,000
9/1/99	General Improvement Series 1999D	61,964,000	5.25% -5.30%	2001 -2019	3,410,000
7/1/99	General Improvement Series 1999C	138,388,000	5.13% -5.25%	2001 -2019	27,290,000
6/1/99	General Improvement Series 1999B	141,800,000	4.50% -5.25%	2001 -2024	9,340,000
4/1/99	General Improvement Series 1999A	83,256,000	3.50% -4.50%	2000 -2018	10,970,000
8/1/98	General Improvement Series 1998Z	179,272,000	4.00% -5.00%	1999 -2017	14,640,000
3/1/98	General Improvement Series 1998Y	95,168,000	4.00% -5.00%	1999 -2017	7,345,000
10/15/97	General Improvement Series 1997X	88,291,000	4.80% -5.10%	1998 -2016	4,080,000
	General Improvement Refunding				
8/1/97	Series 1997A	110,230,000	3.85% -6.00%	1998 -2013	24,200,000
7/15/97	General Improvement Series 1997W	191,185,000	4.50% -5.00%	1998 -2016	13,835,000
3/1/97	General Improvement Series 1997V	185,365,000	5.13% -5.25%	1998 -2016	8,845,000
	General Improvement Refunding				
2/24/94	Series 1994A	168,850,000	2.20% -6.50%	1994 -2015	115,000
	General Improvement Refunding				
6/10/93	Series 1993H	73,740,000	2.40% -5.50%	1993 -2017	1,585,000
11/1/85	General Improvement Series 1985X	35,680,000	7.80% -8.00%	1986 -2015	1,275,000
7/1/85	General Improvement Series 1985W	20,560,000	7.80% -8.00%	1986 -2015	380,000
11/1/84	General Improvement Series 1984V	31,880,000	8.50% -8.80%	1985 -2014	690,000
7/1/84	General Improvement Series 1984U	21,980,000	9.00% -9.30%	1985 -2014	175,000
12/1/83	General Improvement Series 1983T	38,230,000	8.50% -8.80%	1984 -2013	1,240,000
3/1/83	General Improvement Series 1983R	44,080,000	8.00% -8.10%	1984 -2012	660,000
12/1/82	General Improvement Series 1982Q	18,860,000	9.38% -9.38%	1983 -2011	120,000
			11.25% -		
7/1/82	General Improvement Series 1982P	28,060,000	11.50%	1983 -2011	250,000
5/1/81	General Improvement Series 1981N	33,530,000	9.10% -10.00%	1982 -2011	165,000
Total					\$727,530,000

County Combined Sewer District Bonds; Sewer and Storm Water Resources District Bonds

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding as of 7/31/09
7/21/09	Sewers Series 2009D	\$14,700,00	5.00% -5.50%	2010 -2039	\$14,700,00
5/5/09	Sewers Series 2009B	15,000,000	4.00% -6.00%	2011 -2034	15,000,000
1/22/08	Sewers Series 2008B	20,000,000	3.00% -5.00%	2009 -2033	19,555,000
5/1/00	Sewers Series 2000F	12,832,000	6.25% -7.00%	2001 -2020	645,000
9/1/99	Sewers Series 1999E	810,000	5.75% -5.80%	2001 -2019	80,000
7/1/99	Sewers Series 1999D	1,957,000	5.30% -5.50%	2001 -2019	550,000
4/1/99	Sewers Series 1999C	1,575,000	4.75% -4.88%	2000 -2018	805,000
8/1/98	Sewers Series 1998B	1,421,000	5.00% -5.00%	1999 -2017	160,000
3/1/98	Sewers Series 1998A	6,766,000	4.90% -5.00%	1999 -2017	480,000
11/1/97	Sewers Refunding Series 1997A	20,545,000	4.50% -6.00%	2000 -2013	5,505,000
7/15/97	Sewers Series 1997Y	3,205,000	5.00% -5.00%	1998 -2016	130,000
3/1/97	Sewers Series 1997 X	4,715,000	5.25% -5.38%	1998 -2016	110,000
2/24/94	Sewers Refunding Series 1994B	83,835,000	2.20% -6.00%	1994 -2016	11,835,000
6/10/93	Sewers Refunding Series 1993G	80,845,000	2.80% -5.45%	1994 -2015	14,580,000
6/10/93	Sewers Refunding Series 1993F	89,665,000	2.40% -5.40%	1993 -2010	5,905,000
6/10/93	Sewers Refunding Series 1993E	35,045,000	2.80% -5.50%	1994 -2016	6,885,000
10/1/80	Sewers Series 1980R	2,455,000	8.70% -9.00%	1981 -2010	80,000
Total					\$92,370,000

County Bonds Issued to New York State Environmental Facilities Corporation ("EFC")

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding as of 7/31/09
3/3/05	EFC Series 2005A	\$1,774,980	2.09% -4.57%	2006 -2034	\$1,565,000
3/4/04	EFC Series 2004 B	4,065,914	1.06% -4.60%	2004 -2028	3,370,000
7/24/03	EFC Series 2003F	8,506,016	0.77% -4.61%	2004 -2029	6,860,000
3/20/03	EFC Series 2003B	42,530,000	2.54% -6.26%	2003 -2029	32,500,000
8/7/02	EFC Series 2002I	36,018,000	1.81% -5.38%	2003 -2022	27,013,000
7/25/02	EFC Series 2002G	7,380,000	2.03% -5.80%	2003 -2028	5,860,000
6/20/02	EFC Series 2002F	59,220,000	2.52% -6.18%	2003 -2024	44,315,000
12/16/98	EFC Series 1998G	20,780,000	2.95% -4.90%	1999 -2017	6,685,000
10/15/92	EFC Series 1992A	32,869,000	3.25% -6.60%	1993 -2012	1,942,500
10/15/92	EFC Series 1992B	28,870,000	3.00% -6.65%	1993 -2012	3,370,000
5/15/91	EFC Series 1991B	35,010,000	4.75% -7.10%	1992 -2011	262,000
Total					\$133,742,500

Nassau County Interim Finance Authority Bonds

Dated Date		Original Issue Size	Original Interest Rates	Maturity	Principal Outstanding as of 7/31/09
4/21/09	NIFA Series 2009A	\$303,100,000	1.00% -5.00%	2009 -2025	\$303,100,000
5/16/08	NIFA Series 2008E	55,055,000	VRDB	2013 -2014	50,000,000
5/16/08	NIFA Series 2008D	150,000,000	VRDB	2014 -2017	150,000,000
5/16/08	NIFA Series 2008C	150,000,000	VRDB	2017 -2019	150,000,000
5/16/08	NIFA Series 2008B	125,000,000	VRDB	2019 -2021	125,000,000
5/16/08	NIFA Series 2008A	125,000,000	VRDB	2021 -2025	125,000,000
12/15/05	NIFA Series 2005D	143,795,000	3.25%-5.00%	2007-2025	131,610,000
7/14/05	NIFA Series 2005A	124,200,000	3.25%-5.00%	2011-2024	124,200,000
12/9/04	NIFA Series 2004 H	337,275,000	2.15%-5.25%	2005-2017	162,025,000
4/8/04	NIFA Series 2004A	153,360,000	2.00%-5.00%	2005-2013	99,530,000
5/21/03	NIFA Series 2003 A&B	514,475,000	2.00%-6.00%	2004-2023	393,745,000
6/27/01	NIFA Series 2001A	181,480,000	4.00%-5.37%	2002-2021	25,915,000

Total \$1,840,125,000

Total County and NIFA Obligations \$2,793,767,500

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APPENDIX E
UNDERLYING INDEBTEDNESS OF POLITICAL SUBDIVISIONS WITHIN THE COUNTY

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UNDERLYING INDEBTEDNESS OF POLITICAL SUBDIVISIONS WITHIN THE COUNTY

The estimated gross outstanding bonded indebtedness of other governmental entities and political subdivisions within the County, based on unverified information furnished by such entities, is described below. These figures also include the gross outstanding bonded indebtedness of the County. These figures do not include the indebtedness of the school districts and certain other taxing districts within the County. The figures are shown as of December 31 for each of the years as shown. The underlying indebtedness is an aggregate figure so that the gross bonded debt per capita and net bonded debt per capita figures show only total bonded debt in the County divided by the estimated population in the County. Actual per capita bonded debt varies as a function of geographic and jurisdictional location within the County.

Figure 1
GENERAL COUNTY GOVERNMENT, TOWNS AND CITIES
COMPUTATION OF DIRECT AND OVERLAPPING NET DEBT
FOR THE FISCAL PERIODS ENDED AS SHOWN
(DOLLARS in Thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
DIRECT DEBT, COUNTY OF NASSAU:						
General Government:						
Bonds	\$2,752,859	\$2,851,570	\$3,162,586	\$3,091,974	\$2,933,562	\$2,870,029 *
Other Debt Obligations	<u>77,175</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>202,155 *</u>
Total	2,830,034	2,851,570	3,162,586	3,091,974	2,933,339	3,072,184
Sewer & Storm Water District Fund						
Bonds	302,996	336,440	371,042	400,458	416,447 **	465,251 **
Other Debt Obligations	<u>9,223</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	312,219	336,440	371,042	400,458	416,447	465,251
Total Direct Debt,						
County of Nassau:						
Bonds	3,055,855	3,188,010	3,533,628	3,492,432	3,350,009	3,335,280
Other Debt Obligations	<u>86,398</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>202,155</u>
Total	\$3,142,253	\$3,188,010	\$3,533,628	\$3,492,432	\$3,349,786	\$3,537,435

*Beginning with fiscal year 1999, County of Nassau direct debt also includes blended component units, NHCC (proprietary component unit) and DASNY debt.

** Prior to 2004 Sewer funds listed separately, combined for comparison purposes

SOURCE: County of Nassau, Comprehensive Annual Financial Report of the Comptroller for Fiscal Years ended December 31, 2008 and 2007 (including data received from respective towns and cities as to which the County makes no representations).

FIGURE 2
GENERAL COUNTY GOVERNMENT, TOWNS AND CITIES
COMPUTATION OF DIRECT AND OVERLAPPING NET DEBT
FOR THE FISCAL PERIODS AS SHOWN
(DOLLARS IN THOUSANDS)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
OVERLAPPING DEBT, TOWNS AND CITIES						
Town of Hempstead						
Bonds	\$1,153,943	\$1,119,647	\$1,050,622	\$988,954	\$871,471	\$801,123
Other Debt Obligations	78,502	71,950	29,336	77,920	152,269	90,467
Less Sinking Funds	<u>0</u>	<u>-4,191</u>	<u>-1,435</u>	<u>-1,605</u>	<u>-1,611</u>	<u>-1,511</u>
Total	\$1,232,445	\$1,187,406	\$1,078,513	\$1,065,269	\$1,022,129	\$890,079
Town of North Hempstead:						
Bonds	\$676,906	\$601,741	\$660,883	\$599,574	\$619,421	\$487,111
Other Debt Obligations	22,966	20,387	35,550	63,990	98,143	135,633
Less Sinking Funds	<u>-565</u>	<u>-540</u>	<u>-105</u>	<u>-114</u>	<u>-53</u>	<u>-53</u>
Total	\$699,307	\$621,588	\$696,328	\$663,450	\$717,529	\$622,691
Town of Oyster Bay:						
Bonds	\$698,343	\$653,792	\$597,447	\$626,207	\$566,167	\$502,638
Other Debt Obligations	128,201	96,922	141,085	76,152	74,153	62,479
Less Sinking Funds	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-871</u>	<u>-871</u>
Total	\$826,544	\$750,714	\$738,532	\$702,359	\$639,449	\$564,246
City of Glen Cove:						
Bonds	\$56,016	\$34,166	\$35,884	\$34,605	\$28,530	\$32,309
Other Debt Obligations	<u>12,109</u>	<u>18,142</u>	<u>17,123</u>	<u>16,054</u>	<u>19,115</u>	<u>17,661</u>
Total	\$68,125	\$52,308	\$53,007	\$50,659	\$47,645	\$49,970
City of Long Beach:						
Bonds	\$39,851	\$52,390	\$39,657	\$64,673	\$34,204	\$37,275
Other Debt Obligations	-	-	-	-	10,000	4,065
Less Sinking Funds	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-418</u>	<u>-576</u>
Total	\$39,851	\$39,657	\$39,657	\$64,673	\$43,786	\$40,764
Total Overlapping Debt, Towns and Cities:						
Bonds	\$2,625,059	\$2,461,736	\$2,384,483	\$2,314,013	\$2,119,793	\$1,860,456
Other Debt Obligations	\$241,778	207,401	223,094	234,118	353,680	310,305
Less Sinking Funds	<u>-565</u>	<u>-4,731</u>	<u>-1,540</u>	<u>-1,719</u>	<u>-2,935</u>	<u>-3,011</u>
Total	\$2,664,406	\$2,664,406	\$2,606,037	\$2,546,412	\$2,470,538	\$2,167,750
TOTAL DIRECT & OVERLAPPING NET DEBT:						
Bonds	\$5,680,914	\$5,649,746	\$5,918,111	\$5,806,445	\$5,469,802	\$5,195,736
Other Debt Obligations	328,176	207,401	223,094	234,116	353,680	512,460
Less Sinking Funds	<u>-565</u>	<u>-4,731</u>	<u>-1,540</u>	<u>-1,719</u>	<u>-2,935</u>	<u>-3,011</u>
Total	\$6,008,525	\$5,852,416	\$6,139,665	\$6,038,842	\$5,820,547	\$5,705,185

SOURCE: County of Nassau, Comprehensive Annual Financial Report of the Comptroller for Fiscal Years ended December 31, 2008 and 2007 (including data received from respective towns and cities as to which the County makes no representations).

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APPENDIX F
COUNTY WORKFORCE

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COUNTY WORKFORCE

As of July 2, 2009, the full-time County workforce totaled 8,783. This represents a decrease of 692 full-time positions when compared to January 1, 2002 and is evidence of the County's workforce reduction initiative.

County Employees

County employees are represented by six labor organizations recognized under the provisions of the New York State Taylor Law. These are the Nassau County Civil Service Employees Association ("CSEA"), the Nassau County Police Benevolent Association ("PBA"), the Detectives Association, Inc. ("DAI"), the Superior Officers Association ("SOA"), the Sheriff Officers Association ("ShOA") and the Investigators Police Benevolent Association (IPBA). The following table summarizes labor organization enrollment:

Full Time County Workforce as of July 2, 2009

<u>Labor Organization</u>	<u>Full-Time Employees</u>
CSEA	4,372
PBA	1,830
DAI	413
SOA	398
ShOA	1,066
IBPA	40
Non-Labor Organization	<u>664</u>
Total	8,783

Civil Service Employees Association (CSEA)

The CSEA represents all County titles other than those represented by the other unions and those titles classified as management or confidential. The County received an interest arbitration award establishing the contract for the CSEA. The term of the award covers January 1, 2008 through December 31, 2015. The total wage increase is 25.55% over that period, with 0% increase in the first year. Other features of the award include:

- Elimination of the no layoff clause that had existed in the prior contract.
- Reduction of overtime rate for certain titles
- Ending the practice of allowing married couples who are County employees to obtain duplicate health benefits.
- Consolidation of certain functions in the Police Department, the Department of Information Technology and Department of Public Works
- Elimination of a "gain-sharing" provision whereby the County had been required to share health care savings with the union
- The ability to establish a merit pay system for unionized workers

Police Benevolent Association (PBA)

The PBA represents all of the County's full-time police officers. On July 2, 2007, the panel for the PBA interest arbitration issued its award to both parties, covering the six-year period from January 1, 2007 through December 31, 2012. The contract established by the award contained the following key provisions:

- Contained an average annual cost-of-living increase across the police ranks of 2.96% (16.5% total wage increase over 6 years);
- The annual wage increase (to be awarded on April 1 of each year) is as follows -- Steps 1 to 2 (0.0 %), Steps 3 to 8 (1.0%), Step 9 (4.0%)
- Added one step to the compensation plan;
- Further minimum staffing relief;
- Termination pay cap at no greater than twice an officer's final year salary;
- Revised calculation denominator for termination pay that reflects a 5% reduction from previous levels;
- The ability for the County to civilianize approximately 30 positions currently occupied by sworn officers;
- Elimination of dual County health insurance coverage when an officer's spouse or domestic partner is also covered in the County's health insurance plan;
- Establishment of a benefit fund to be managed by the PBA to secure dental and optical benefits for members in lieu of County coverage; and
- Increased annual longevity payments for officers.

Detectives Association, Inc. (DAI)

On January 11, 2007, the panel for the DAI interest arbitration issued its award, covering the six-year period from January 1, 2007 through December 31, 2012.

The contract established by the award contained the following key provisions:

- The average net compounded cost of the award is 2.75%, the same as the PBA, representing approximately 1% below average inflation;
- The County is projected to save approximately \$35 million over six years, which was approximately 75% of its target (the same percentage achieved in the PBA award);
- Wage increase delays (the first three increases occur July 1 and the last three June 1. This results in 33 months of zero percent increase);
- Ends the practice of middle-level PBA members being promoted to detectives and receiving increases of approximately \$25,000. Now, the first Detective step will be indexed at \$2,400 above what they would have made had he or she stayed a police officer;

- The County received several work rule concessions that will result in the more efficient operation of the Police Department;
- Eliminated the wasteful practice of allowing a Detective and his or her spouse who is also a County employee to have two health insurance plans;
- Reduced termination pay by 5% and capped it at no more than 2 times the final salary of the Detective;
- Reduced sick leave accruals from 26 days per year to 24, beginning the process of reducing excessive leave accruals in public employment;

Superior Officers Association (SOA)

The interest arbitration award that established the previous SOA contract expired on December 31, 2007. Negotiations did not produce a successor agreement. The parties agreed to submit the matter to the same interest arbitration panel that recently awarded the PBA and DAI awards discussed above.

Sheriff Officers Association (ShOA)

ShOA and the County negotiated an agreement which was ratified by the County Legislature on April 28, 2008. The contract covers the period January 1, 2005 through December 31, 2012. It established a frozen first salary step of \$30,000 for the life of the contract. The first year of the contract contains no increase (0%); on January 1, 2006 there is a 3.25% increase; and on July 1, 2007 there is a 3.5% increase. Starting April 1, 2008 and on each April 1 through 2012, steps 2-10 receive a 1% increase and top step receives 3.65%. Other significant savings includes a reduction of the overtime rate from 1.74 times base to 1.5 times base. In addition, certain contractual rules that had increased total overtime costs were reduced.

Investigators Police Benevolent Association (“IPBA”).

The IPBA represents investigators employed by the Nassau County District Attorney having decertified from the CSEA in December 2004. Since that time they have been working under the terms of the CSEA contract. Negotiations did not result in a successor agreement and the parties have agreed to submit the matter to binding arbitration utilizing the same panel that determined the PBA and DAI awards discussed above.

Nassau Community College Employees

Not considered employees in the Major Operating Funds, members of the Nassau Community College Federation of Teachers (“NCCFT”) and the Adjunct Faculty Association (“AFA”) total 743 full-time faculty and 3,624 part-time faculty, respectively. The contract for the NCCFT expired on August 31, 2008. There is a memorandum of understanding extending the contract for 3 years that has been approved by the NCCFT and the NCC Board of Trustees. The contract for the AFA expires on September 30, 2010.

The wage package for the NCCFT is:

Effective Date	Wage Increase
9/01/05	1.92%
9/01/06	2.35%
9/01/07	2.18%

The wage package for the AFA is:

Effective Date	Wage Increase
11/01/05	3.9%
9/01/06	3.9%
9/01/07	3.9%
9/01/08	3.9%
9/01/09	3.9%

APPENDIX G
ECONOMIC AND DEMOGRAPHIC PROFILE

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ECONOMIC AND DEMOGRAPHIC PROFILE

Overview

Established in 1899, Nassau County (the “County”) is the site of some of New York State’s (the “State”) earliest colonial settlements, some of which date to the 1640’s. With a total land area of 287 square miles and a population of over 1.3 million, the County is bordered to the west by the New York City borough of Queens, to the east by Suffolk County, to the north by Long Island Sound and to the south by the Atlantic Ocean. Together, the northern and southern boundaries of the County comprise nearly 188 miles of scenic coastline. The County includes 3 towns, 2 cities, 64 incorporated villages, 56 school districts and various special districts that provide fire protection, water supply and other services. Land uses within the County are predominantly single-family residential, commercial and industrial.

Population

Table 1 below shows the County's population from 1970 to 2008. The County’s population has experienced two major growth periods over the past 100 years, reaching a peak of approximately 1,428,080 residents in 1970. Between 1970 and 1990, the County’s population decreased 10% to 1,287,348 residents. By 2000, the County's population had increased by 3.8% to approximately 1,336,073 residents. Based upon U.S. Census Bureau data, residents over 75 years of age are the fastest growing segment of the population, increasing by 125% from 42,100 in 1970 to 94,880 in 2000. After growing to 1,353,766 in 2006, the U.S. Census Bureau estimates a decrease in population to 1,351,625 in 2008.

TABLE 1

COUNTY POPULATION, 1970-2008

<u>Year</u>	<u>Population</u>
2008	1,351,625*
2007	1,353,061*
2006	1,353,766*
2000	1,336,073*
1990	1,287,348
1980	1,321,582
1970	1,428,080

SOURCES: U.S. Census Decennial, *U.S. Census 2008 Population Estimates.

Economic Indicators

Median Household Income

As shown on Table 2, according to the U.S. Census Bureau the County’s estimated median household income was \$89,782 in 2007, significantly higher than those of the State (\$53,514) and the United States as a whole (\$50,740). Moreover, the County (2.8%) has a smaller percentage of families below the poverty level than the State (10.3%) and the United States (9.5%).

TABLE 2

**MEDIAN HOUSEHOLD INCOME IN THE COUNTY
IN COMPARISON TO THE STATE AND THE U.S. 2007**

<u>Area</u>	<u>Median Household Income</u>	<u>Families Below Poverty (%)</u>
County	\$89,782	2.8
State	53,514	10.3
United States	50,740	9.5

SOURCE: U.S. Census, 2007 American Community Survey

Consumer Price Index

The Consumer Price Index (“CPI”) represents changes in prices of all goods and services purchased by households over time and is used to gauge levels of inflation. CPI includes user fees such as water and sewer service and sales and excise taxes paid by the consumer, but does not include income taxes and investment items such as stocks, bonds, and life insurance. Annual totals and increases in the CPI for both the New York-Northern New Jersey-Long Island, NY-NJ-CT-PA Consolidated Metropolitan Statistical Area (“CMSA”) and U.S. cities between the years 1999 and 2008 are shown in Table 3 below.⁽¹⁾

As indicated in Table 3 below, prices in the CMSA rose by 3.9% in 2008. This equals the 2005 percentage increase, the greatest increase in the annual percentage change since 1998. The 2008 U.S. City Average percentage increase is also 3.9%.

⁽¹⁾ Throughout this document references are made to the U.S. Office of Management and Budget’s definitions of metropolitan areas that are applied to U.S. Census Bureau data. These areas include Metropolitan Statistical Areas (“MSAs”), Consolidated Metropolitan Statistical Areas (“CMSAs”) and Primary Metropolitan Statistical Areas (“PMSAs”). An MSA is a county or group of contiguous counties that contains at least one city with a population of 50,000 or more, or a Census Bureau-defined urbanized area of at least 50,000 with a metropolitan population of at least 100,000. An MSA with a population of one million or more and which meets various internal economic and social requirements is termed a CMSA, consisting of two or more major components, each of which is recognized as a PMSA. For example, the Nassau-Suffolk PMSA is part of the New York-Northern New Jersey – Long Island, NY-NJ-CT-PA CMSA.

TABLE 3**CONSUMER PRICE INDEX, 1999-2008**

Year	U.S. City Average (1,000s)	Percentage Change	NY-NJ-CT-PA CMSA (1,000s)	Percentage Change
2008	215.3	3.9%	235.8	3.9%
2007	207.3	2.8%	226.9	2.8%
2006	201.6	3.2%	220.7	3.8%
2005	195.3	3.4%	212.7	3.9%
2004	188.9	2.7%	204.8	3.5%
2003	184.0	2.3%	197.8	3.1%
2002	179.9	1.6%	191.9	2.6%
2001	177.1	2.8%	187.1	2.5%
2000	172.2	3.4%	182.5	3.1%
1999	166.6	2.2%	177.0	2.0%

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics

Retail Sales and Business Activity

The County is served by six major regional shopping centers: Broadway Mall in Hicksville, Roosevelt Field in Garden City, Green Acres Mall in Valley Stream, Americana Manhasset in Manhasset, Sunrise Mall in Massapequa and the Simon Mall at the Source in Westbury. According to the International Council of Shopping Centers, a global trade association of the shopping center industry, these regional malls have a total of 6,889,934 square feet of gross leaseable area.

The County boasts a wide range of nationally recognized retailers that provide goods and services, including home furnishing stores, supermarkets and gourmet food markets, electronic stores and bookstores. Major retailers in the County include Saks Fifth Avenue, Bloomingdales, Lord & Taylor, Nordstrom's, Macy's, Fortunoff's, Sears, JC Penney, Marshalls, Old Navy, Kohl's and Target. Commercial outlet stores in the County include, but are not limited to Costco, Bed, Bath & Beyond and Best Buy. In addition, there are in the County designer boutique shops and specialty department stores such as Barneys, Brooks Brothers, Giorgio Armani, Ralph Lauren and Prada, and jewelers such as Tiffany & Co., Cartier and Van Cleef & Arpels.

Based on the 2002 Economic Census, the County ranked second in the State to New York City in retail sales (see Table 4).

TABLE 4

**RETAIL SALES ACTIVITY RANKED BY COUNTY IN THE STATE
(in thousands)**

	2002 Rank	2002 Retail Sales	1997 Rank	1997 Retail Sales
New York (Manhattan)	1	\$26,431,688	1	\$19,964,095
Nassau	2	20,048,923	2	16,876,869
Suffolk	3	18,884,440	3	13,879,345
Westchester	4	12,055,687	4	9,438,521
Queens	5	11,733,654	5	9,237,429
Kings	6	11,397,935	6	8,407,009
Erie	7	10,053,437	7	8,224,419
Monroe	8	7,612,733	8	6,681,881
Onondaga	9	5,451,227	9	4,485,858
Albany	10	4,581,206	10	3,634,657

SOURCE: U.S. Census, Retail Trade

Employment

Table 5 compares employment totals and unemployment rates in the County to adjoining municipalities, the State and the United States. The County had a workforce of approximately 668,500 employees in 2008. The unemployment rate in the County was 4.7% in 2008 versus 3.7 % in 2007. 2008 marked the twelfth consecutive year in which the County's unemployment rate was less than or equal to Suffolk County (5.0%), and less than New York City (5.5%), the State (5.4%) and the United States (5.8%).

TABLE 5

**ANNUAL AVERAGE
EMPLOYMENT (in thousands)
AND UNEMPLOYMENT RATE (%), 1999 - 2008**

Year	Nassau County		Suffolk County		New York City		New York State		United States	
	Employment	Unemployment Rate	Employment	Unemployment Rate	Employment	Unemployment Rate	Employment	Unemployment Rate	Employment	Unemployment Rate
2008	668.5	4.7	756.5	5.0	3,731	5.5	9,153	5.4	137,066	5.8
2007	671.7	3.7	760.2	3.9	3,653	5.0	9,141	4.5	137,598	4.6
2006	669.9	3.8	756.4	4.0	3,612	5.0	9,092	4.6	136,086	4.6
2005	661.8	4.1	745.9	4.2	3,538	5.8	8,968	5.0	133,703	5.1
2004	654.5	4.5	734.8	4.7	3,458	7.1	8,816	5.8	131,435	5.5
2003	649.1	4.7	723.8	4.8	3,413	8.3	8,704	6.4	129,999	6.0
2002	649.5	4.7	717.9	4.7	3,429	8.0	8,721	6.2	130,341	5.8
2001	651.3	3.7	714.6	3.8	3,452	6.0	8,744	4.9	131,826	4.7
2000	655.5	3.3	710.8	3.4	3,454	5.8	8,751	4.5	131,785	4.0
1999	678.6	3.0	704.8	3.6	3,373	6.9	8,657	5.2	133,488	4.2

SOURCES: Compiled by the County from: New York State Department of Labor; U.S. Department of Labor, Bureau of Labor Statistics.

Key Employment Trends

As indicated in Table 6, the annual average employment in non-farm jobs by industry for the years 2000 through 2008 in the Nassau-Suffolk PMSA⁽²⁾ remained strong. Industries that achieved their highest level of employment during this period include: natural resources, construction & mining, educational and health services, professional & business services, leisure & hospitality, other services and government. Eighty-eight percent of jobs within the PMSA are in service producing industries. Within the goods producing category, manufacturing jobs decreased by a total of 23% since 2000. Meanwhile, jobs within the natural resources, construction & mining category increased by 20% since 2000.

Industries within the service producing sector experienced little change during 2008. Since 2000 the educational & health services sector achieved a 21% increase in employment while the leisure & hospitality sector increased by 16%.

⁽²⁾ Prior to 2004, statistical information compiled by the U.S. Census Bureau, the U.S. Department of Labor and other sources was compiled on the basis of MSAs, including the Nassau-Suffolk PMSA. Beginning in 2004, the U.S. Office of Management and Budget revised its geographic Census definitions and replaced MSAs with Core Based Statistical Areas (“CBSAs”). The County is now part of the New York-Newark-Edison, NY-NJ-PA CBSA.

TABLE 6

**ANNUAL AVERAGE
NASSAU-SUFFOLK EMPLOYMENT,
NON-FARM, BY BUSINESS SECTOR
2000-2008**
(in thousands)

Nassau-Suffolk Employment by Industry	2000	2001	2002	2003	2004	2005	2006	2007	2008
Goods Producing									
Natural Resources Construction & Mining	61.0	62.4	64.3	64.2	65.6	66.4	69.4	71.9	73.3
Manufacturing	105.5	98.9	92.1	88.2	88.1	87.3	85.9	84.0	81.5
Total Employment Goods Producing	166.5	161.2	156.4	152.5	153.6	153.7	155.3	155.9	154.9
Service Producing									
Trade, Transportation & Utilities	273.1	271.9	267.5	270.3	271.9	271.2	270.5	273.7	272.6
Financial Activities	84.2	81.4	82.0	82.0	83.5	81.9	80.0	79.6	75.7
Information	31.8	32.9	32.5	32.9	28.9	29.4	29.8	28.1	26.7
Educational & Health Services	178.5	180.9	187.5	193.2	196.8	199.5	202.3	211.8	215.7
Leisure & Hospitality	86.0	88.8	90.1	92.8	96.1	95.7	96.9	99.4	99.9
Other Services	52.1	49.7	50.1	50.8	51.1	52.1	52.0	52.7	53.7
Professional & Business Services	155.6	157.7	153.1	152.0	154.2	158.4	163.0	164.2	164.2
Government	190.2	194.1	196.3	198.9	197.6	198.5	199.0	202.7	202.8
Total Employment Service Producing	1,051.5	1,057.4	1,059.1	1,070.2	1,080.0	1,086.9	1,093.4	1,112.1	1,111.2
Total Non-Farm	1,218.0	1,218.6	1,215.5	1,222.2	1,233.5	1,240.6	1,248.7	1,268.1	1,266.1

SOURCE: New York State Department of Labor
Note: Totals may not add due to rounding.

Table 7 compares the employment rates, by business sector and industry, in the Nassau-Suffolk PMSA to the United States. The percentage of jobs within each category is fairly consistent with national figures. Nationwide, 16% of jobs were in the goods producing sector compared to 13% in the Nassau-Suffolk PMSA.

TABLE 7

**PERCENTAGE OF NON-FARM EMPLOYMENT
BY BUSINESS SECTOR, 2007**

BUSINESS SECTOR	Nassau-Suffolk PMSA (%)	United States (%)
GOODS PRODUCING		
Natural Resources*, Construction & Mining	6	6
Manufacturing	<u>7</u>	<u>10</u>
Total Goods Producing	13	16
SERVICE PROVIDING** OR SERVICE PRODUCING*		
Trade, Transportation & Utilities	22	19
Financial Activities* or Finance, Insurance & Real Estate**	6	6
Assorted Services	44	43
Government	<u>16</u>	<u>16</u>
Total Service Providing / Producing	88	84

SOURCES: Compiled by the County from: New York State Department of Labor (Nassau-Suffolk PMSA) and the U.S. Department of Labor, Bureau of Labor Statistics (United States).

*Nassau-Suffolk PMSA

**United States

Major County Employers

Table 8 below shows the major commercial and industrial employers headquartered in the County.

TABLE 8

MAJOR COUNTY COMMERCIAL AND INDUSTRIAL EMPLOYERS

Company	Type of Business	Employees
North Shore – LIJ Health Systems	Health Care	38,000 *
Cablevision Systems Corp.	Cable and pay television	16,705
Griffon Corp.	Specialty building products	5,300
Alcott Group	Professional employers organization	4,900
Winthrop Healthcare Systems	Health Care	4,345
1-800-Flowers	Flowers & gifts	4,000
National Envelope	Envelope manufacturer	4,000
Systemax, Inc.	Computers & related products	3,535
NY Community Bancorp Inc.	Banking	2,834
P.C. Richard & Sons	Appliance, electronics retailer	2,600

SOURCES: Compiled by the County from Crain’s Book of Lists 2009; * North Shore – LIJ Medical System Human Resources Center

Construction Activity

Table 9 below is a composite list of construction activity in the County for residential, business, industrial and public buildings for the years 1999 through 2008. Overall construction activity has been uneven since 1996, reaching its high point in 2000 with 1,887 permits issued. By 2003 the number of permits issued had decreased to 800. Construction activity in the County rebounded in 2004 and 2005 as evidenced by the 1,383 and 1,719 permits issued, respectively. In 2006, building activity was slower with only 1,446 building permits issued for new construction. Building activity fell again with only 930 building permits issued in 2007, but rebounded in 2008 by increasing by almost 100% to 1,847.

TABLE 9

COUNTY CONSTRUCTION ACTIVITY, 1999 - 2008

<u>Year</u>	<u>Single-Family Dwellings</u>	<u>Other Housing Units*</u>	<u>Business Buildings</u>	<u>Industrial Buildings</u>	<u>Public Buildings</u>	<u>Total</u>
2008	801	1,046	N/A	N/A	N/A	1,847
2007	790	113	20	3	4	930
2006	993	415	30	4	4	1,446
2005	922	756	37	1	3	1,719
2004	771	577	23	4	8	1,383
2003	564	203	23	2	8	800
2002	603	482	24	2	5	1,116
2001	614	884	30	21	16	1,565
2000	790	1,009	58	21	9	1,887
1999	639	540	34	8	16	1,237
Totals	7,487	6,025	279	66	73	13,930

SOURCE: 1999 – 2007 Nassau County Planning Commission; 2008 US Census Bureau 2008 Building Permits

*Other housing units includes two-family, multi-family dwellings and conversions.

Table 10 below shows the number and estimated dollar value of building permits issued for Class 4 property in the County for the years 2002 through 2007. Class 4 property includes commercial, industrial, institutional buildings and vacant land. As indicated in the table, there were 27 building permits issued for Class 4 properties in 2007.

TABLE 10
NUMBER AND VALUE OF BUILDING PERMITS ISSUED,
CLASS 4 PROPERTY, 2002 – 2007

Year	Number of Permits Issued	Estimated Value of Permits
2007	27	\$13,129,100
2006	38	59,862,365
2005	41	29,535,410
2004	15	7,339,475
2003	33	25,043,100
2002	32	20,052,498

SOURCE: Nassau County Planning Commission.

According to the CoStar Office Report (December 2006) provided by Greiner-Maltz Company, in 2006 there were 1,476 office buildings containing approximately 43.7 million square feet in the County. The vacancy rate decreased from 10.0% at the end of 2005 to 9.7% in 2006. There were 91 Class A buildings and 475 Class B buildings in the County. Class A buildings had an 11.3% vacancy rate while 10.2% of the Class B building space was vacant. More than 141,000 square feet of new office space construction was completed during 2006, and 325,000 square feet of office space was under construction in December 2006.

Housing

New residential construction activity in the County changed appreciably in 2008 as compared to 2007. The value of new residential construction increased by 37%.

TABLE 11
COUNTY NEW RESIDENTIAL CONSTRUCTION ACTIVITY

Year	Value of New Residential Construction (in thousands)	No. of New Dwelling Units By Building Permit
2008*	\$374,000	1,868
2007*	272,576	822
2006	368,875	1,408
2005	373,879	1,672
2004	293,642	1,177
2003	195,435	978
2002	222,722	985
2001	229,464	989
2000	266,259	1,506
1999	199,433	1,151

SOURCES: U.S. Census Bureau, Construction Statistics Division-Building Permit Branch (1997-2004). Nassau County Planning Department (2005-2007). *2007 and 2008 figures from US Census Bureau; Construction Statistics Division-Building Permit Branch based on estimate and imputation and NYSAR residential price information.

Table 12 shows the breakdown of new housing units by type and size.

TABLE 12

**NUMBER OF COUNTY NEW RESIDENTIAL HOUSING UNITS
AUTHORIZED BY BUILDING PERMIT BY SIZE CATEGORY**

Year	1 Family	2 Family	3-4 Family	5 or more Family	Total
2008	822	6	0	1040	1,868
2007	737	18	4	63	822
2006	993	62	4	349	1,408
2005	922	40	7	703	1,672
2004	735	68	0	374	1,177
2003	635	44	8	291	978
2002	740	30	3	212	985
2001	688	32	4	265	989
2000	753	142	6	605	1,506
1999	730	50	3	368	1,151

SOURCES: U.S. Census Bureau, Construction Statistics Division-Building Permit Branch (2000-2004, 2008). Nassau County Planning Department (2005-2007).

According to the 2000 U.S. Census, the number of housing units in the County increased from 446,292 in 1990 to 458,151 in 2000. The County (80%) had a higher percentage of owner-occupied units than the State (66%) and the nation (53%) as a whole.

Table 13 shows County existing home sales. In 2008, the annual median sales price decreased by 7.7% while the number of homes sold was 15.7% lower than in 2007.

TABLE 13
COUNTY EXISTING HOME SALES, 1999-2008

<u>Year</u>	<u>Median Sales Price</u>	<u>No. of Homes Sold</u>
2008	\$420,000	7,410
2007	455,000	8,788
2006	490,000	9,435
2005	489,000	10,343
2004	440,000	10,111
2003	395,000	8,646
2002	350,000	8,654
2001	290,000	7,545
2000	252,500	7,002
1999	230,000	7,389

SOURCES: Compiled by the County from: The October 2001 LIPA Annual Business Fact Book, 1997-2000; Multiple Listing Service of Long Island Inc., 2001-2005; New York State Association of Realtors, 2006-2008

Transportation

MTA Long Island Bus ("MTALIB"), a subsidiary of the Metropolitan Transportation Authority, is the County's principal public surface transit provider and the third largest suburban bus system in the United States. Operating a network 53 routes, the MTALIB provides transit service for most of the County as well as parts of eastern Queens and western Suffolk County. The density of MTALIB's route network conforms to the development pattern of the County. MTALIB operates approximately 333 fixed route buses and 86 para-transit vehicles, including service across the Queens-Nassau line to subway and bus stations in Flushing, Far Rockaway and Jamaica. MTALIB has an average ridership of 108,600 passengers each weekday and serves 96 communities, 46 Long Island Rail Road stations, most area colleges and universities, as well as employment centers and shopping malls.

The adopted budget as of February 2009 showed that the total MTALIB estimated budget for 2009 is \$133 million, of which \$45.7 million or 34.3% was derived from passenger fares and other operating revenue. The cost to the County, the State and the MTA of operating MTALIB in 2007 was approximately \$82 million. The County's share of the cost was approximately \$10.5 million; State subsidies and additional State aid accounted for approximately \$57.5 million; MTA subsidies accounted for the remaining \$14 million.

The Long Island Rail Road (the "LIRR") is the largest and busiest commuter railroad in the United States, carrying 86.1 million passengers in 2007. On an average weekday, the LIRR carries 302,000 passengers.

The LIRR provides train service for the entire County. Its infrastructure includes 381 route miles of track, 296 at-grade-crossings and 124 stations on 11 branch lines. These branches provide service through the County to eastern destinations in Suffolk County and western destinations of Penn Station in Manhattan, Flatbush Avenue in Brooklyn, as well as Jamaica and Hunters Point/Long Island City in Queens. Completion of the East Side Access project, which began tunneling work in 2007, will add a new hub in Grand Central Terminal, bringing LIRR customers directly to Manhattan's East Side. On

weekdays, about 70% of the system's passenger trips occur during morning and evening peak travel periods.

Through its capital program, the LIRR recently renovated Jamaica Station (Queens). The new mezzanine at Jamaica links to the subway and the AirTrain to John F. Kennedy International Airport ("JFK").

A major project completed in 2006 was the \$45 million intermodal center at Mineola that provides easy access to parking and seamless transfers to seven local bus lines operated by MTA. The center has more than 700 parking spaces in a four-level garage, two elevators that connect to the station platforms, and a pedestrian overpass that connects the north and south sides of the station. Other station projects completed in 2006 included new stairways and railings at Bellmore and Wantagh stations; station renovations at Garden City and Nassau Boulevard; a new overpass at Cold Spring Harbor; and parking improvements at Valley Stream.

Other important projects are the continual maintenance of tracks, ties, and switches and renovations underway at numerous stations. The LIRR also is expected to install a fiber-optic communications system for greater safety and is consolidating antiquated control towers into one modern center at Jamaica Station. Traditionally serving a Manhattan-bound market, the LIRR has undertaken extensive efforts to augment its reverse-commute and off-peak service to meet the needs of businesses in Nassau and Suffolk counties.

The County highway system consists of over 4,000 miles of paved roads that include parkways, highways, major arteries, collector streets and local streets, which are operated and maintained by different levels of government. The eight major east-west roadways that provide direct through service to New York City and Suffolk County include: Northern Boulevard, Long Island Expressway, Northern State Parkway, Jericho Turnpike, Hempstead Turnpike, Southern State Parkway, Sunrise Highway, and Merrick Road.

The County is located within close proximity to JFK and LaGuardia Airport ("LaGuardia"), both located in Queens County, and to Islip Long Island MacArthur Airport ("Islip MacArthur"), located in Suffolk County. JFK and LaGuardia are easily accessible to County residents by all major east-west roadways as well as airport shuttle service. The AirTrain service, a light rail system connecting Jamaica Station in Queens to JFK, opened in early 2004. Islip MacArthur is accessible by the Long Island Expressway and Sunrise Highway, as well as the LIRR.

To help eliminate delays, congestion, and trouble spots on its highway network, the County receives federal and state funding through the federal Transportation Improvement Program ("TIP"), and is a voting member of the Nassau-Suffolk Transportation Coordinating Committee. The TIP is a compilation of transportation improvement projects, such as preserving and upgrading bridges, highways and making system-wide capacity and safety improvements scheduled to take place during a five-year period. The present TIP covers the years 2008-2012.

Utility Services

Electrical service is provided to the County by the Long Island Power Authority ("LIPA"), which became Long Island's non-profit electric utility in 1998. LIPA's electric system, which serves 1.1 million customers, is operated by National Grid (which acquired KeyspanEnergy Delivery in August 2007), the largest investor-owned electric generator in the State. National Grid, which is the largest distributor of natural gas in the northeast United States, also provides gas distribution in the County. The incorporated villages of Freeport and Rockville Centre operate their own electrical generation plants.

LIPA is funded through legislation that requires the utility to make payments in lieu of taxes (“PILOTS”) to municipalities and school districts commensurate with property taxes that would have been received by each jurisdiction from the Long Island Lighting Company (“LILCO”), the County’s former provider of electrical service. LIPA is also required to make PILOTS for certain State and local taxes which would otherwise have been imposed on LILCO. Numerous private companies in the County provide telephone service.

Health and Hospital Facilities

Rated among the best health and hospital facilities in the country, thirteen hospitals located in the County provide 4,669 certified hospital beds. In addition, according to the New York State Board of Professions, the County is served by 8,170 licensed medical doctors, 2,029 dentists, 670 chiropractors, 333 podiatrists and 19,265 registered nurses. The North Shore-Long Island Jewish Health System is the County’s largest health care employer (approximately 12,542 employees). The North Shore University Hospital is the recipient of the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) Codman Award, the first health system to attain this distinction.

Other hospitals of note in the County include the Nassau University Medical Center in East Meadow, St. Francis Hospital in Roslyn, the Winthrop-University Hospital in Mineola, and the Memorial-Sloan Kettering Cancer Center at Mercy Medical Center in Rockville Centre.

Media

The daily newspaper Newsday is circulated in the County and Suffolk and Queens counties. Approximately 80 weekly newspapers cover news and events in the County. Some of these focus on events in specific towns, villages and communities, and others focus on niche industries, such as Long Island Business News – a 50-year-old publication that covers both Nassau and Suffolk Counties.

The County is home to two broadcast television stations, Channels 21 and 57, and receives nine additional VHF and UHF stations. In addition, News 12 provides local news coverage (on cable only). Cable programming is available throughout the County via Cablevision Systems Corp., and provides access to channels with a local focus. Satellite programming is also available in the County.

Because of its proximity to New York City, events in the County attract regular coverage in New York City newspapers such as the New York Times, the Daily News, and the New York Post. Radio coverage includes nine County-based stations and 52 regional and neighboring stations that consider the County as part of their listening area.

Educational Facilities

There are 56 school districts in the County, with a total enrollment of 264,485 students according to the State Education Department. Individual school boards and the Board of Cooperative Educational Services (BOCES) are the primary managers of these school districts and provide services such as career training for high-school students and adults, special education, alternative schools, technology education and teacher training. Various public and private organizations manage the County’s other educational facilities. The County’s non-public schools, which are located in a number of municipalities, provide education in the State Regents program as well as in special and technical programs.

Many County public schools have received national recognition. A 2008 Newsweek magazine article cited five County high schools among the top 100 public high schools in the nation.

Over 138,000 students attend County colleges and universities, some of which are highly specialized and have garnered nationwide attention for their programs. These institutions include: Long Island University/C.W. Post College, Adelphi University, Hofstra University, New York Institute of Technology, U.S. Merchant Marine Academy, Nassau Community College, Webb Institute, Molloy College and the State University of New York/Old Westbury.

Colleges and universities in the County promote cross-disciplinary research, technology development and an integrated curriculum to prepare students for the growing bioscience industry. Undergraduate and graduate level programs available throughout the County's institutions of higher learning specialize in fields such as biology, chemistry, biochemistry, engineering, and physical sciences in courses such as bioengineering, biotechnology and pharmacology.

Recreational and Cultural Facilities

The County has numerous recreational and cultural facilities. One of the most popular destinations among the County's parks and beaches is the 2,413-acre Jones Beach State Park in Wantagh. With approximately six to seven million visitors annually, Jones Beach State Park features a six-mile ocean beachfront, a two-mile boardwalk and the 11,200-seat Jones Beach Theater performing arts center, which attracts world-class musical acts. There are dozens of other public beaches located along both the Atlantic Ocean and the Long Island Sound shoreline. In addition, the County is home to the 930-acre Eisenhower Park in the Town of Hempstead, Bethpage State Park in Farmingdale and numerous small local parks and campgrounds which offer a broad spectrum of recreational opportunities.

On a national level, the County is home to many high profile professional sporting events and teams. The Bethpage Golf Course, located in Bethpage State Park, hosted the 2002 U.S. Open and is scheduled to host the 2009 U.S. Open. Belmont Racetrack, located in Elmont, is home to the Belmont Stakes, the third race in horse racing's prestigious Triple Crown. The Nassau Veterans Memorial Coliseum in Uniondale is home to the four-time Stanley Cup Champion New York Islanders of the National Hockey League and the Arena Football League's New York Dragons. Eisenhower Park's 80,000 square foot Swimming and Diving Center is the largest pool in the Northern Hemisphere.

In terms of cultural and historic resources, the County boasts eleven museums, including the County-owned Cradle of Aviation Museum and the Long Island Children's Museum in Garden City, as well as historic sites such as Old Bethpage Village and Theodore Roosevelt's estate at Sagamore Hill in Cove Neck.

In an effort to preserve open space, natural and scenic resources for additional recreational opportunities, in 2003 the County created the Open Space Fund, which receives 5% of the proceeds from County land sales for open space land acquisition purposes.

Water Service and Sanitary Sewer Facilities

There are 48 public water suppliers in the County providing water service to over 90% of the County's residents. Approximately 3,550 residents of the less densely populated northern sections of the County draw their water from private wells.

The natural geology of the County yields three major aquifers situated atop bedrock. These aquifers serve the County with fresh water and are continuously recharged by precipitation.

The County's population remained essentially stable throughout the 1990s, exhibiting only a small increase of about 3.8%. The small increase in population had a negligible effect on water demand

in the County. The sizable fluctuations in annual public water demand are a result of hot and dry weather patterns during the summer months.

Public water supply withdrawal during the base pumping months remained rather consistent during the 2000 – 2003 period at approximately 142 million gallons per day (mgd). During peak pumping months, late spring and summer, pumping can increase considerably and is quite variable in response to weather conditions. The annual water demand between 2000 – 2003 ranged from 185 mgd to 200 mgd during the peak pumping period.

Recharge of the groundwater system has increased from 332 mgd to 341 mgd as a result of the County's storm water recharge basins capturing storm water for aquifer recharge. Based upon the peak month's average, this leaves a daily recharge surplus of between 161 to 181 million gallons. This recharge surplus ensures ample amounts of fresh water for the future. Furthermore, proposed developments and redevelopments within the County are required to retain all storm water on site. This requirement will ensure that the aquifer continues to be recharged.

The County Department of Public Works maintains and operates the County's sewerage and water resources facilities. In 2003, upon the approval of the County Legislature, state legislation created a single, County-wide sewer and storm water resources district, replacing the County's prior three sewage disposal districts and 27 sewage collection districts.

Most sewage collected in the County's sewer system is treated at either the Bay Park Sewage Treatment Plant ("Bay Park") in East Rockaway or the Cedar Creek Water Pollution Control Plant ("Cedar Creek") located in Wantagh. Sewage collected within the area corresponding to the former County sewage collection district of Lido Beach is processed at the City of Long Beach's sewage treatment plant.

Effective March 1, 2008, the County assumed responsibility for the operation and maintenance of the Glen Cove Water Pollution Control Facility, sewage pumping stations and the collection system piping. This is the first step in the process to ultimately transfer ownership of the facilities from the City of Glen Cove to the County. In 2008, inter-municipal agreements were entered into with each of the Village of Lawrence and the Village of Cedarhurst to consolidate each village's sewer system into the County's sewer system. The County continues to explore the possibility of consolidating other sewer systems in the County into the County's sewer system.

Six villages in the County (Freeport, Garden City, Hempstead, Mineola, Rockville Centre and Roslyn) and the city of Long Beach own and operate their own sewage collection systems which discharge sewage to the County's disposal system. The sewage collected by these systems is processed at one of the County-operated sewage treatment plants, either Bay Park or Cedar Creek. In addition, there are several sewage collection systems and treatment plants within the County that are operated by other governmental agencies or special districts.

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Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereon and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By: _____
Authorized Officer

Signature attested to by:

Counsel

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