

County of Nassau, New York

Basic Financial Statements for the Year Ended
December 31, 2012 (Restated), Schedule of
Expenditures of Federal Awards for the Year Ended
December 31, 2012, and Independent Auditors'
Report

COUNTY OF NASSAU, NEW YORK

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INDEPENDENT AUDITORS' REPORT

Honorable Edward P. Mangano, County Executive
and Members of the County Legislature
County of Nassau, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nassau, New York, (the "County"), as of and for the year ended December 31, 2012, (with the Nassau Community College for the year ended August 31, 2012), which collectively comprise the County's basic financial statements, as listed in the table of contents. We also have audited the financial statements of the County's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of December 31, 2012 and for the year then ended, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Nassau Regional Off-Track Betting Corporation, the Nassau County Industrial Development Agency, Nassau County Local Economic Assistance Corporation, the Nassau County Bridge Authority, and the Nassau Health Care Corporation, all discretely presented component units, which, as combined, represent 9.2 percent, 15.4 percent, and 5.0 percent, respectively, of the assets, revenues, and net position of the County and 66.9 percent, 72.3 percent, and 56.8 percent, respectively, of the assets, revenues, and net position of the Component Units, for the year ended December 31, 2012. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities is based solely on the reports of the other auditors. The report of the independent auditor contained an explanatory paragraph concerning the Nassau Regional Off-Track Betting Corporation's ability to continue as a going concern (See Note 1 within the *Discretely Presented Component Unit*, Section C). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nassau, New York, as of December 31, 2012, and the respective changes in financial position and, where applicable, thereof and the respective budgetary comparison for the applicable major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of nonmajor governmental and fiduciary funds of the County of Nassau, New York, as of December 31, 2012, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1, the County is under a control period as imposed by Nassau County Interim Finance Authority ("NIFA"). NIFA had determined that the County's proposed budget reflected a substantial likelihood that it would produce an operating funds deficit in excess of one percent of the aggregate result of operations of such funds, hence, triggering the control period.

As described in Note 1, in 2012 the County adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Also, as described in Note 10, Nassau County Tobacco Settlement Corporation ("NCTSC") receives tobacco settlement revenue that is dependent on many factors and are subject to certain adjustments, which may be material.

The report of the independent auditor contained an explanatory paragraph concerning the Nassau Regional Off-Track Betting Corporation's ability to continue as a going concern (See Note 1 within the *Discretely Presented Component Unit*, Section C).

As described in Note 18, the accompanying 2012 financial statements have been restated to correct certain misstatements. Our opinion is not modified for this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedule of funding progress on pages 5 through 16, and page 116 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying financial information listed as Other Supplementary Information, in the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This supplementary information is the responsibility of the County's management. The accompanying financial information listed as Other Supplementary Information, in the foregoing table of contents, has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2013 (May 30, 2014 as to the effects of the restatement described in Note 18 and as to the non-adjusting subsequent event disclosures in Notes 6, 10, 12, 13, 14 and 19) on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County's internal control over financial reporting and compliance.

Deloitte & Touche LLP

July 12, 2013 (May 30, 2014 as to the effects of the restatement described in Note 18 and as to the non-adjusting subsequent event disclosures in Notes 6, 10, 12, 13, 14 and 19)

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COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (RESTATED)

Nassau County's Comprehensive Annual Financial Report ("CAFR") complies with the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 2200 (previously known as Governmental Accounting Standards Board Statement No. 34). This section of the report, required under GASB 34, presents Management's Discussion and Analysis ("MD&A") of Nassau County's (the "County") financial activities and performance for the fiscal years ended December 31, 2012 and 2011, as restated. This section should be read in conjunction with the letter of transmittal and the County's financial statements.

RESTATEMENT

Subsequent to the issuance of the County's 2012 financial statements, management determined that there were errors related to the reporting of pension expense and the corresponding balance sheet accounts.

Management determined that the calculation of pension expense, as reported in the governmental funds for the years ended December 31, 2006 through December 31, 2012 and the corresponding entries to the governmental fund balance sheet accounts were misstated. The cumulative understatement of pension expense for that period was \$87.3 million, (for which 2012 and 2011 were \$5.0 million and \$13.2 million, respectively). Prepaid assets and accrued liabilities, as reported in the governmental funds and the government-wide funds as of December 31, 2012, were overstated by \$97.9 million and \$10.6 million, respectively.

Additionally, management determined that there was an error in the calculation of the government-wide long-term liabilities for the amount owed to the New York State Retirement Systems ("Retirement Systems") and the corresponding accrual of pension expense for 2011 and 2012. Consequently, the pension expense, as reported on the government-wide financial statements for 2012 was understated in the amount of \$45.2 million, the beginning net position was overstated by \$42.1 million, the liability to the Retirement Systems was understated by \$89.9 million on the government-wide financial statements and the difference of \$2.6 million represented an understatement of due from component units (an asset) for the College's portion of the liability, which is reimbursed by the College to the County. For 2011, the pension expense as reported on the government-wide financial statements was understated in the amount of \$42.1 million, the liability to the Retirement Systems was understated by \$43.6 million, on the government-wide financial statements and the difference represented an understatement of due from component units (an asset), representing the College's portion of the liability, which is reimbursed by the College to the County. As a result, the County has revised and reissued its 2012 CAFR to properly report the effects of the pension expense deferred and the amount owed to the Retirement Systems.

Prior period adjustments were recorded as of December 31, 2011 and 2012, to record the prior years' effect of these errors on the County's opening fund balance and opening net position.

Exhibit 13 – *Footnote 18 – Restatement and Prior Period Adjustments* provides details on the changes from the original 2012 CAFR issued in July 2013.

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

FINANCIAL HIGHLIGHTS

The County generated a budgetary surplus in 2012 of \$41.5 million in its primary operating funds, which the County has defined as the General Operating Fund, Fire Prevention, Safety, Communication and Education Fund, Police Headquarters and Police District Funds. This budgetary surplus primarily resulted from sales tax receipts that exceeded budget estimates due to conservative projections and the recovering economy, lower debt service expenses than budgeted resulting from reduced long-term borrowings, lower employee and retiree health insurance rates that were lower than projected in the budget, lower early intervention / special education costs due to reduced service rates and lower volume of services and cancellation of related prior year encumbrances. The overall surplus is primarily comprised of a surplus of \$26.4 million in the General Fund, in addition to a surplus of \$19.8 million in the Police District Fund offset by a deficit of \$5.4 million in the Police Headquarters Fund. These surplus funds have been added to existing accumulated fund balance. The County has eliminated hundreds of full-time positions, through early retirement incentive programs and layoffs, and held the line on hiring.

The County and its residents sustained substantial property damage as a result of Superstorm Sandy. The related expenditures and reimbursement revenues have been recorded in a new FEMA fund. A ten percent share of these expenditures have been conservatively recognized in the operating funds, however, this amount may ultimately be fully funded by New York State, which would be recognized as revenue in fiscal year 2013.

After including the effects of the restatement, the County's net worth, on a government-wide basis, declined by \$303.9 million during 2012 to negative a \$6.7 billion. The decline was primarily due to an increase in other liabilities (property tax refunds liability and deferment of refunds) along with increases in long-term liabilities primarily due to an increase in other postemployment benefits (OPEB) and the County's election of the Retirement System's option to amortize a portion of its pension expense. While the County transitions to structurally balanced budgets over the next several years, the Administration intends to fund the property tax refunds with long-term financing. The requisite approvals, however, were not obtained from the Legislative Minority during 2012, and the related long-term liability has grown.

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In addition, certain financial statements present GAAP to budgetary basis conversion columns to show actual results on a budgetary basis. Fund balance in the County's operating funds on a reporting basis totaled \$84.8 million on a budgetary basis (\$56.1 million is in the General Fund as defined by ASC 1800 (formerly GASB Statement No. 54), and \$28.7 million in the Police District Fund).

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS FOR 2012

GASB Statement No. 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 position* and the *statement of activities*. The statement of net position reports everything the County owns (its assets) and owes (its liabilities) as of the end of the year. Net position is what remains after all liabilities have been recorded; 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 position*. 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 position. 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 Position

After including the effects of the restatement, the Statement of Net Position for the 2012 fiscal year shows that the County has a deficit balance of \$6.7 billion. Table 1 (restated) shows that the County's net worth declined by \$303.9 million during 2012 primarily due to increases in other liabilities along with increases in long-term liabilities comprised mainly of an increase in OPEB and the County's election of the Retirement System's option to amortize a portion of its pension expense. The increase in other liabilities reflects the 2012 accrual for property tax refunds, and increases in the current portion of various long-term liabilities such as litigation, and deferred revenue. Total assets increased \$181.1 million, primarily due to receivables from FEMA, and a temporary increase in cash balances at year-end.

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS FOR 2012 (Continued)

The Statement of Net Position (Continued)

Table 1 (Restated)
Condensed Statement of Net Position
(dollars in millions)

	Total Primary Governmental Activities			Change
	2012	* 2011		
Current and Other Assets	\$ 1,823.6	\$ 1,646.0	***	\$ 177.6
Capital Assets	\$ 2,579.4	\$ 2,575.9		\$ 3.5
Total Assets	\$ 4,403.0	\$ 4,221.9		\$ 181.1
Total Deferred Outflows of Resources	\$ 84.0	\$ 84.6	***	\$ (0.6)
Current and Other Liabilities	\$ 1,471.9	\$ 1,205.5		\$ 266.4
Long-Term Liabilities	\$ 9,698.3	\$ 9,480.3		\$ 218.0
Total Liabilities	\$ 11,170.2	\$ 10,685.8		\$ 484.4
Net Position				
Net Investment in Capital Assets	\$ 1,675.7	\$ 1,681.9		\$ (6.2)
Restricted	\$ 76.4	\$ 90.2	****	\$ (13.8)
Unrestricted	\$ (8,435.3)	\$ (8,151.4)		\$ (283.9)
Total Net Position, as restated	\$ (6,683.2)	\$ (6,379.3)		\$ (303.9)

* As restated, see Note 18 to the financial statements.

** Adjustments have been made to 2011 numbers to show the effects of the prior period adjustment for comparative purposes.

*** Restatement for GASB 63 Presentation

**** Certain reclassifications have been made to the prior year data to conform with current year presentation

The County has \$1.7 billion invested in its capital assets, recorded at acquisition cost, net of accumulated depreciation and 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, after including the effects for the restatement, the County's Statement of Net Position shows a deficit balance of \$6.7 billion in net position at December 31, 2012, which represents a \$303.9 million increase in the deficit since the close of the 2011 fiscal year. Unrestricted net position reflect all liabilities that are not related to the County's capital assets and 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, 2012, the County and its blended component units had a combined \$3.4 billion in outstanding long-term debt. 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. As of December 31, 2012, the County had \$1.0 billion of outstanding debt related to tax certiorari settlements.

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS FOR 2012 (Continued)

The Statement of Net Position (Continued)

The County has been determined to be responsible under the County Administrative Code for paying, without chargeback, the real property tax refunds (other than those arising from correction of errors) of the three towns within the County, all but one of the 56 school districts, and approximately 200 special districts. While the County enacted a local law in 2010 to amend the Administrative Code to eliminate this guarantee, the change in law was not to take effect until 2013. In January 2012, the Supreme Court upheld the validity of the local law and plaintiffs appealed that decision. On February 27, 2013, the Appellate Division, Second Department reversed the decision of the lower court, held that the County did not have the authority to enact such local legislation and granted summary judgment to the plaintiffs declaring that the local legislation violated the State Constitution and the State Municipal Home Rule Law. The New York State Court of Appeals has accepted the County's direct appeal. On February 18, 2014, the Court of Appeals affirmed the Appellate Division's decision. The County estimates that the amount of its liability for paying the refunds of the towns, school districts and special districts would be approximately \$60.0 million annually; this is not included in the 2014-2017 Multi-Year Financial Plan.

Prior to a mass property revaluation (pursuant to a consent decree with respect to residential properties), which was completed in 2002, the County had not reassessed residential properties since 1938, nor had it reassessed commercial properties since 1986. Even after the revaluation, over one-hundred thousand grievances have been filed annually by residential and commercial property owners seeking review of the assessments of their properties. A County initiative to resolve challenges prior to the assessment roll being finalized resulted in no residential small claims liability on the 2012 / 2013 final assessment roll.

The Statement of Activities

The Statement of Activities for the fiscal year that ended December 31, 2012 details the decline in the County's net worth from 2011 to 2012. Table 2 (restated) summarizes the changes in the County's net position. Several factors impacted the County's net worth. They include:

- Capital grants decreased by \$116.5 million as a result of the County's recording of the acquisition of certain sewer assets during 2011 (this did not occur in 2012).
- Operating grants increased by \$100.5 million due to FEMA grants that funded much of the County's clean-up effort and emergency response from Superstorm Sandy.
- Sales Tax revenues increased \$42.9 million from 2011, as the County continues to experience a rebound in sales tax revenue due to the recovery from the recession.
- General government expenses decreased by \$735.7 million. The decrease was primarily driven by a smaller annual increase to OPEB. While the OPEB liability increased \$191.3 million, the increase was much less than the increase in the prior year.
- Expenses for protection of persons increased by \$48.2 million, resulting from increased overtime, which was partially funded by a contingency appropriation and termination pay that was not financed at the same level as 2011.

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS FOR 2012 (Continued)

The Statement of Activities (Continued)

- Public works expenses increased by \$91.7 million primarily as a result of a \$23.7 million loss recognized on the impairment of assets that were damaged by Superstorm Sandy and \$83.1 million of expenditures related to Superstorm Sandy, which the County expects to be reimbursed 90% by the Federal Emergency Management Agency. These increases were offset by \$15.5 million in lower costs in the Public Works department.

Table 2 (Restated)
Condensed Statement of Activities
(dollars in millions)

	2012	*	2011	**	Change
Revenues					
Program Revenues					
Charges for Services	\$ 276.0		\$ 242.7		\$ 33.3
Operating Grants	564.0		463.5		100.5
Capital Grants	42.7		159.2		(116.5)
General Revenues					
Property Taxes	943.6		922.9		20.7
Sales Taxes	1,066.0		1,023.1		42.9
Other Taxes	41.4		40.6		0.8
Tobacco Settlement Revenues	19.2		18.8		0.4
Investment Income	15.1		20.7		(5.6)
Other General Revenues	29.1		28.2		0.9
Total Revenues	2,997.1		2,919.7		77.4
Expenses					
Legislative	10.7		10.5		0.2
Judicial	66.5		64.0		2.5
General Government	758.7		1,494.4		(735.7)
Protection of Persons	811.7		763.5		48.2
Health	239.5		256.0		(16.5)
Public Works	342.8		251.1		91.7
Recreation and Parks	48.1		39.8		8.3
Social Services	562.8		576.3		(13.5)
Corrections	247.1		271.2		(24.1)
Education	5.7		9.8		(4.1)
Interest on Long Term Debt	207.4		186.1		21.3
Total Expenses	3,301.0		3,922.7		(621.7)
Decrease in Net Position	(303.9)		(1,003.0)		699.1
Net Position Beginning, as restated	(6,379.3)		(5,376.3)		(1,003.0)
Net Position Ending, as restated	<u>\$ (6,683.2)</u>		<u>\$ (6,379.3)</u>		<u>\$ (303.9)</u>

* As restated, see Note 18 to the financial statements.

** Adjustments have been made to 2011 numbers to show the effects of the prior period adjustment for comparative purposes.

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

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 controls 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 equity)* 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 cash equivalents and those assets that are expected to be converted into cash within the next year) and the current liabilities that these assets will be used to retire.

For budgetary purposes, 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. 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 the County. The County also has a Technology Fund, an Open Space Fund, Environmental Bond Fund, as well as a series of other non-major operating, Grant and Capital project funds.

For GAAP reporting purposes, the Fire Prevention, Safety, Communication, and Education Fund, the Police Headquarters Fund, the Debt Service Fund, the Technology Fund, and the Open Space Fund have been combined with the General Fund.

General Fund Budget Variances

On a reporting basis, the County ended the 2012 fiscal year with a General Fund (on a GASB 54 basis) budgetary surplus of \$20.4 million. The surplus is comprised of a number of variances from the budget as originally adopted.

The County cannot legally incur expenses for which no budget authority has been previously provided, either through its initial adoption or through subsequent modification. Consequently, there can be no expenses that are over the final modified budget. The variances discussed below are of GAAP Actual as compared to the original budget.

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

ANALYSIS OF FUND FINANCIAL STATEMENTS FOR 2012 (Continued)

General Fund Budget Variances (Continued)

For financial reporting purposes (modified accrual basis), the County ended the 2012 fiscal year with an operating surplus of \$2.1 million in the General Fund (on a GASB 54 basis). The difference between the General Fund's budgetary surplus of \$20.4 million (on a GASB 54 basis) and the reporting surplus of \$2.1 million is primarily due to adjustments required to eliminate the effect of encumbrances that cross fiscal years and an adjustment to pension contributions to match the actual time period covered. As seen on Exhibit X-7, the adjustments for encumbrances create a number of significant expense budget variances, which reflect the timing of encumbrance and payment of encumbered funds.

- In total, General Fund State and Federal Aid was \$32.0 million under the \$400 million original budget. The State Aid shortfall was primarily attributable to lower Pre-School and Early Intervention program costs, which were also under budget. The Federal Aid shortfall was primarily due to lower than budgeted number of DSS Temporary Assistance for Needy Families (TANF) caseloads. Since these shortfalls were for reimbursement of expenses that did not take place, in total there was not a negative budget impact.
- Health expenditures were \$97.0 million under the \$290.1 million original budget. This resulted from lower Pre-School and Early Intervention program costs due to lower than projected volume of services and service provider rates reduced by New York State. Additionally, the positive budget variance was driven by the timing of encumbrances described above.
- On a reporting basis, Social Services costs were \$47.1 million under the original budget and Corrections costs were \$26.3 million under the original budget. These variances were also primarily driven by the timing of encumbrances described above.
- Judicial expenditures were \$53.6 million under the \$113.6 million original budget. The budgeted expenditures included interfund transfers for both the Department of Traffic and Parking Violations and the Red Light Camera Fund. The Red Light Camera Fund was eliminated by local law during 2012. In total, there was no budgetary impact since there was a corresponding budget shortfall with Interdepartmental Revenues.

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

ANALYSIS OF FUND FINANCIAL STATEMENTS FOR 2012 (Continued)

Table 3 (Restated)
Summary of Change in Fund Equity
Nassau County Major Funds**
(dollars in millions)

	General Fund*	Police District Fund*	Capital Fund	Sewer and Storm Water District Fund*	Total Nassau County Major Funds*
Fund Equity, as of December 31, 2010	\$ 165.5	\$ 3.7	\$ 226.9	\$ 102.6	\$ 498.7
(restated for GASB 54)					
Add: 2011 Revenues	2,041.6	374.3	32.0	123.2	2,571.1
Less: 2011 Expenses	2,213.0	376.1	133.9	112.7	2,835.7
2011 Other financing sources, net	85.8	2.1	18.7	(23.2)	83.4
Fund Equity, as of December 31, 2011	79.9	4.0	143.7	89.9	317.5
Prior Period Adjustment	(54.0)	(25.5)		(1.4)	(80.9)
Fund Equity, as of December 31, 2011	25.9	(21.5)	143.7	88.5	236.6
(as restated)					
Add: 2012 Revenues	2,116.3	384.7	40.5	123.0	2,664.5
Less: 2012 Expenses	2,227.7	364.0	163.3	113.9	2,868.9
2012 Other financing sources, net	113.5	(0.1)	120.2	(15.1)	218.5
Fund Equity, as of December 31, 2012	28.0	(0.9)	141.1	82.5	250.7
(as restated)					

* As restated, see Note 18 to the financial statements.

** not including blended component units

Table 3 shows accumulated fund balance in the County's major funds (excluding the blended component units) totaled \$250.7 million at the end of 2012. Of this fund balance, \$47.8 million is categorized as non-spendable, \$8.0 million is restricted, primarily as it is earmarked for debt service and \$134.0 million is committed to capital projects. The remaining fund balance is available for future general operations of the County.

Total fund balance in the Police District Fund increased \$20.6 million, from a negative \$21.5 million to a negative \$0.9 million. The increase was primarily comprised of employee and retiree health insurance and pension contribution costs that were less than budgeted and federal reimbursement of certain Superstorm Sandy operating costs recorded in the Police District Fund.

The County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). As detailed in Footnote 1, fund balance in the financial statements is now broken down into the new categories of Non-spendable, Restricted, Committed, Assigned, and Unassigned. GASB No. 54 is intended to improve the usefulness of amounts reported as fund balance by demonstrating the extent to which governments are bound by constraints on financial resources.

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

CAPITAL INVESTMENTS

The County completed a number of capital projects during the 2012 fiscal year, including \$41.9 million in sewer district improvements (designated with an * in Table 4 below) and upgrades, and \$25.3 million in infrastructure related improvements. The County made capital improvements during 2012 in the following areas:

Table 4
Capital Improvements
January 1, 2012 to December 31, 2012
(dollars in millions)

<u>Project Category</u>	<u>Amount</u>
Building Consolidation Plan	\$ 8.6
Buildings	21.7
Environmental Bond Act	10.0
Equipment	7.9
Infrastructure	25.3
Parks	12.6
Property	0.3
Public Safety	10.2
Roads	21.1
Technology	11.5
Traffic	16.2
Transportation	3.7
Collection *	8.0
Disposal *	26.3
Storm Water *	7.6
	<u>\$ 191.0</u>

As previously indicated, the County sustained substantial property damage as a result of Superstorm Sandy. Consequently, the County recognized asset impairments for the primary government (including blended component units) of \$26.2 million in 2012. Detailed information on capital asset activity is available in the Notes to the Financial Statements Exhibit X-13, Footnote 8.

DEBT

The County and its blended component units - Nassau County Interim Finance Authority ("NIFA"), Nassau County Tobacco Settlement Corporation ("NCTSC"), and the Nassau County Sewer and Storm Water Finance Authority ("NCSSWFA") - had approximately a combined \$3.4 billion in outstanding long-term debt as of December 31, 2012, representing a net decrease of \$32.9 million under the combined long-term debt outstanding as of December 31, 2011. The County also provides a direct-pay guarantee of \$251.8 million outstanding from the refunding and new money debt issued in October 2004 and refunded in April 2009 by the Nassau Health Care Corporation and \$11.6 million outstanding from the refunding and new money debt issued in June 2005 by the Nassau Regional Off-Track Betting Corporation. General Obligation Bonds issued by the County for various Nassau Community College ("NCC") capital projects total \$42.2 million as of December 31, 2012. Since the two corporations are discretely-presented component units of the County, their debt is not itemized in Table 5 below.

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

DEBT (Continued)

NCC, also a discretely-presented component unit, reports the outstanding obligations issued by the County on its financial statements, and thus is also not itemized in Table 5 below. The component units' long-term debt obligations are presented in Footnote 10.

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

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
General Obligation County Bonds	\$ 1,165,745	\$ 192,147	\$ 56,588	\$ 1,301,304
Sewage Purpose Bonds	68,760		7,455	61,305
SRF Revenue Bonds	112,085		9,223	102,862
Total County Long-Term Debt	1,346,590	192,147	73,266	1,465,471
NIFA Sales Tax Secured Bonds	1,528,440	317,713	467,030	1,379,123
Tobacco Settlement Asset-Backed Bonds	451,788	5,318		457,106
Sewer Financing Authority	154,595		7,800	146,795
Total Long Term Debt	\$ 3,481,413	\$ 515,178	\$ 548,096	\$ 3,448,495

During 2012, the County issued a total of \$196.6 million of long-term debt of which, \$192.1 million was used to fund its capital program, certain judgments, and employee separation pay for unused accumulated time off and \$4.5 million to fund various NCC capital projects; the \$4.5 million appear as obligations of NCC in its financial statements. The County did not issue any new debt through the State Revolving Loan Fund ("SRF") during 2012. 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 \$149.3 million during 2012. This decrease reflects the maturation and run-off of the existing NIFA debt, netted against \$317.7 million of new refunding bond issuances.

The net amount of outstanding debt of the NCTSC increased by \$5.3 million due to the accretion in the value of its capital appreciation bonds.

During 2012, the NCSSWFA had \$7.8 million of bonds mature.

The County issued short-term borrowings during 2012, Revenue Anticipation Notes ("RANS") and Tax Anticipation Notes ("TANS"), which were used to finance the cash flow of the County's operations and \$34.6 million of Bond Anticipation Notes ("BANS") used to fund sewer related projects. RANS are issued in anticipation of receipt by the County of allocable sales tax receipts, while TANS are issued in anticipation of receipt by the County of real property taxes to be levied in the following year. The BANS were issued in advance of the issuance of long-term obligations for capital projects, and were redeemed with the proceeds of the bonds issued in 2013. Management anticipates issuing RANS and TANS in 2013.

COUNTY OF NASSAU, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2012

DEBT (Continued)

Detailed information on long-term debt activity is available in the Notes to the Financial Statements Exhibit X-13, Note 10.

The County implemented GASB Statement No. 53, "Accounting and Reporting for Derivative Instruments" (GASB 53) during 2010. A key provision of GASB 53 is that certain derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value by governments in their government-wide financial statements. The financial reporting impact resulting from the implementation of GASB 53 is the recognition within the government-wide financial statements of a liability for 'hedging' derivative instruments whose negative fair value at December 31, 2012 totaled \$84.0 million with a corresponding amount being reported as deferred outflows of resources in the assets section of the government-wide financial statements and no net impact on the County's net position.

NASSAU COUNTY'S CREDIT RATING

The County's current debt ratings are as follows: Moody's Investors Service: A2 (stable outlook); Standard & Poor's: A+ (stable outlook); Fitch Ratings: A (negative outlook). In October 2012, Moody's Investors Service changed the rating on the County's general obligation debt to A2 from A1, and changed the outlook to stable. In May 2012, Fitch Ratings changed its outlook to negative. As a result of the change in the long-term rating outlook, Fitch changed the rating on the County's short-term debt to "F1". In June 2013, Fitch changed the County's rating to A from A+ and retained the negative outlook. The County's short-term debt is rated SP-1+ by Standard and Poor's.

CONCLUSION

The County's net worth declined by \$303.9 million during 2012, to a negative \$6.7 billion. This decline was primarily driven by an increase in the actuarially determined estimated liability for retiree health insurance, reflecting annual cost increases, the pension expense deferred, and an increase in the liability for property tax refunds. The negative balance in total net worth is principally driven by borrowing for property tax refunds, the liability for health insurance for retirees, and other liabilities for which there are no corresponding assets.

During 2012, the County generated a budgetary surplus of \$41.5 million across its primary operating funds. This surplus resulted from a number of budget variances, which included sales tax revenues that exceeded the budget, and were offset by debt service, employee and retiree health insurance, and special education costs that were less than budgeted. At the end of 2012, fund balance in the County's primary operating funds were \$82.0 million on a budgetary basis.

The County faces difficult challenges, as do other municipalities around the country. As presented in the subsequent events footnote, the County's financial position may be negatively impacted by the outcome of lawsuits related to NIFA's imposition of a wage freeze and the County's local law eliminating the guarantee to pay refunds of town, school and special district property taxes. In addition, the County lost its appeal on the Metropolitan Transportation Authority ("MTA") lawsuit and consequently, the liability is reflected in the government-wide financial statements. The Administration continues to be committed to pursuing recurring cost reduction and revenue maximization strategies, and not relying on taxpayers to bear any additional burden.

BASIC FINANCIAL STATEMENTS

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EXHIBIT X-1**COUNTY OF NASSAU, NEW YORK****STATEMENT OF NET POSITION
DECEMBER 31, 2012 (Dollars in Thousands)**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities *</u>	<u>Component</u> <u>Units *</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 698,525	\$ 88,200
Investments		2,805
Restricted Cash	9	27,805
Restricted Investments	49,823	
Sales Tax Receivable	126,001	
Interest Receivable	54	
Student Accounts and Loans Receivable		9,988
Less Allowance for Doubtful Amounts		(5,775)
Due from Other Governments	326,653	963
Due from Primary Government		20,308
Other Receivables		22,410
Accounts Receivable	42,940	293,554
Less Allowance for Doubtful Accounts	(5,566)	(220,881)
Real Property Taxes Receivable	75,526	
Less Allowance for Doubtful Accounts	(4,642)	
Due from Component Unit	8,870	
Inventories		5,770
Prepays	48,522	
Other Assets - Current	375	23,682
Total Current Assets	<u>1,367,090</u>	<u>268,829</u>
NON CURRENT ASSETS:		
Restricted Cash and Investments	23,344	31,851
Due from Component Unit	2,142	
Deferred Financing Costs	184,754	4,635
Less Accumulated Amortization	(79,593)	(2,386)
Deferred Charges	318,077	
Capital Assets Not Being Depreciated	610,113	37,899
Depreciable Capital Assets	3,632,871	867,510
Less Accumulated Depreciation	(1,663,612)	(526,489)
Deposits Held by Trustees		837
Deposits Held in Custody for Others		1,666
Tax Sale Certificates	3,182	
Tax Real Estate Held for Sale	4,658	
Other Assets		21,352
Total Non Current Assets	<u>3,035,936</u>	<u>436,875</u>
Total Assets	<u>4,403,026</u>	<u>705,704</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 83,976	\$

(Continued)

* As restated, see Note 18 to the financial statements.

EXHIBIT X-1**COUNTY OF NASSAU, NEW YORK****STATEMENT OF NET POSITION
DECEMBER 31, 2012 (Dollars in Thousands)**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities *</u>	<u>Component</u> <u>Units *</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 150,326	\$ 86,067
Accrued Liabilities	167,087	25,603
Accrued Vacation and Sick Pay		48,248
Accrued Pension Benefits		38,371
Bond Anticipation Notes Payable	34,600	
Tax Anticipation Notes Payable	257,725	
Revenue Anticipation Notes Payable	218,445	
Property Tax Refund Payable	37,951	
Due to Primary Government		847
Due to Component Units	10,333	
Due to Other Governments	73	
Accrued Interest Payable	21,621	1,238
Unearned Revenue - Current	62,381	17,960
Current Portion of Long Term Liabilities	511,247	10,251
Other Liabilities - Current	133	30,504
	<u>1,471,922</u>	<u>259,089</u>
Total Current Liabilities		
NON CURRENT LIABILITIES:		
Due to Primary Government		2,142
Notes Payable		841
Derivative Instruments - Interest Rate Swaps	83,976	
Bonds Payable, Net of Deferred		
Bond Premium/Discount (Net of Amortization)	3,329,274	331,094
Accrued Vacation and Sick Pay	508,723	51,960
Deferred Payroll	63,676	
Estimated Workers' Compensation Liability	258,196	
Estimated Tax Certiorari Payable	123,088	
Estimated Liability for Litigation and Malpractice	260,286	37,748
Liability for Future Pension Expense		1,067
Capital Lease	5,132	
Unearned Revenue - Non Current	62,562	
Other Liabilities - Non Current	23,726	
Deposits Held in Custody for Others		1,666
Insurance Reserve Liability		1,994
Due to New York State Retirement System	79,556	
Postemployment Retirement Benefits Liability	4,900,111	618,091
Derivative Instruments		43,496
	<u>9,698,306</u>	<u>1,090,099</u>
Total Non Current Liabilities		
Total Liabilities		
	<u>11,170,228</u>	<u>1,349,188</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,675,710	174,779
Restricted:		
Nassau Health Care Corporation		2,066
Nassau County Bridge Authority		2,000
Nassau Community College Foundation Fund		
Restricted Scholarships		2,587
Capital Acquisition Fund		10,553
Capital Projects	7,091	15,105
Debt Service	55,365	2,837
Grants	12,969	
Open Space	933	
Student Loans		517
Unrestricted	<u>(8,435,294)</u>	<u>(853,928)</u>
Total Net Position		
	<u>\$ (6,683,226)</u>	<u>\$ (643,484)</u>

See accompanying notes to financial statements.

(Concluded)

* As restated, see Note 18 to the financial statements.

EXHIBIT X-2**COUNTY OF NASSAU, NEW YORK****STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

Functions/Programs						Net (Expense) Revenue and Changes in Net Position	
	Expenses *	Program Revenues			Primary Governmental Activities	Component Units	
		Charges for Services	Operating Grants	Capital Grants			
Primary Government:							
Legislative	\$ 10,722	\$	\$	\$	\$ (10,722)		
Judicial	66,479	44,374	5,443		(16,662)		
General Administration	758,742	93,752	104,949		(560,041)		
Protection of Persons	811,733	46,824	38,027		(726,882)		
Health	239,524	31,646	99,822		(108,056)		
Public Works	342,764	9,910	83,143	42,715	(206,996)		
Recreation and Parks	48,082	19,852	1,601		(26,629)		
Social Services	562,832	17,370	209,986		(335,476)		
Corrections	247,123	8,633	20,993		(217,497)		
Education	5,692	3,656			(2,036)		
Debt Service Interest	207,353				(207,353)		
Total Primary Government	\$ 3,301,046	\$ 276,017	\$ 563,964	\$ 42,715	(2,418,350)		
Component Units	\$ 865,730	\$ 634,368	\$ 163,128	\$ 2,735		\$ (65,499)	
General Revenues:							
Taxes:							
Property Taxes					\$ 943,624		
Sales Taxes					1,066,012		
Other Taxes					41,352		
Tobacco Settlement Revenue and Tobacco Receipts					19,222		
Investment Income					15,058	3,079	
Other					29,134	7,495	
Total General Revenues					2,114,402	10,574	
Change in Net Position					(303,948)	(54,925)	
Net Position - Beginning, as reported					(6,254,837)	(588,559) **	
Prior Period Adjustments					(124,441)		
Net Position - Beginning, as restated*					(6,379,278)	(588,559)	
Net Position - Ending					\$ (6,683,226)	\$ (643,484)	

*As restated, see Note 18 to the financial statements.

** In 2012, the Nassau County Bridge Authority was determined, for the first time, to be a discretely presented component unit. Accordingly, the net position at the beginning of the year was adjusted to include the beginning net position balance for \$31,179.

See accompanying notes to financial statements.

EXHIBIT X-3**COUNTY OF NASSAU, NEW YORK****GOVERNMENTAL FUNDS****BALANCE SHEET****DECEMBER 31, 2012 (Dollars in Thousands)**

ASSETS	General Fund *	NIFA General Fund	Police District Fund *	Sewer and Storm Water District Fund *	Capital Fund	Nonmajor Governmental Funds *	Total Governmental Funds *
Cash and Cash Equivalents	\$ 262,417	\$ 522	\$ 264	\$ 92,501	\$ 242,906	\$ 99,915	\$ 698,525
Restricted Cash						9	9
Restricted Investments						73,167	73,167
Sales Tax Receivable		126,001					126,001
Interest Receivable						54	54
Due from Other Governments	189,683	84	5,512	2,382	18,245	110,747	326,653
Accounts Receivable	42,283		19	186	2	450	42,940
Less Allowance for Doubtful Accounts	(5,566)						(5,566)
Real Property Taxes Receivable	75,526						75,526
Less Allowance for Doubtful Accounts	(4,642)						(4,642)
Tax Sale Certificates	3,182						3,182
Tax Real Estate Held for Sale	4,658						4,658
Interfund Receivables	230,020		6,314	24,000	29,927	20,525	310,786
Prepays	37,218		10,042	552		710	48,522
Due from Component Units	8,398						8,398
Other Assets	7	57			206	105	375
TOTAL ASSETS	\$ 843,184	\$ 126,664	\$ 22,151	\$ 119,621	\$ 291,286	\$ 305,682	\$ 1,708,588
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Accounts Payable	104,959		585	7,135	20,849	16,798	150,326
Accrued Liabilities	70,628	170	7,372	1,499	1,523	117,440	198,632
Bond Anticipation Notes Payable					34,600		34,600
Tax Anticipation Notes Payable	257,725						257,725
Revenue Anticipation Notes Payable	218,445						218,445
Deferred Revenue	72,644					49,140	121,784
Property Tax Refund Payable	37,951						37,951
Interfund Payables	30,011	108,882	14,042	28,313	84,411	45,127	310,786
Due to Component Units	226		44	59	8,801	1,203	10,333
Due to Other Governments						73	73
Other Liabilities	22,618		1,021	133		87	23,859
Total Liabilities	815,207	109,052	23,064	37,139	150,184	229,868	1,364,514
FUND BALANCE:							
Fund Balances:							
Nonspendable	37,218	57	10,042	552		710	48,579
Spendable							
Restricted	933	16,916			7,091	51,418	76,358
Committed					134,011	17,151	151,162
Assigned				81,930			81,930
Unassigned	(10,174)	639	(10,955)			6,535	(13,955)
Total Fund Balance	27,977	17,612	(913)	82,482	141,102	75,814	344,074
TOTAL LIABILITIES AND FUND BALANCE	\$ 843,184	\$ 126,664	\$ 22,151	\$ 119,621	\$ 291,286	\$ 305,682	\$ 1,708,588

The reconciliation of the fund balance of governmental funds to the net assets of governmental activities in the Statement of Net Position is presented in the accompanying statement.

* As restated, see Note 18 to the financial statements.

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 POSITION**

DECEMBER 31, 2012 (Dollars in Thousands) (Restated)

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

Total fund balances - governmental funds	\$ 344,074
Revenue recorded in the Statement of Net Position is recorded as deferred revenue in the governmental funds	(3,159)
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	(111,270)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	2,579,372
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	425,852
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Bonds payable	(3,218,004)
Postemployment retirement benefits liability	(4,900,111)
Due to New York State Employees' Retirement System	(79,556)
Other long term liabilities	(1,219,101)
Current portion of long term liabilities	(511,247)
Accrued expenses and interest payable	<u>9,924</u>
Net position of governmental activities	<u>\$ (6,683,226)</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 BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	General Fund *	NIFA General Fund	Police District Fund *	Sewer and Storm Water District Fund *	Capital Fund	Nonmajor Governmental Funds *	Total Governmental Funds *
REVENUES:							
Interest and Penalties on Taxes	\$ 27,988	\$	\$	\$	\$	\$	\$ 27,988
Licenses and Permits	9,902		3,630	806			14,338
Fines and Forfeits	43,271		788			2,762	46,821
Interest Income	458		50	208	1,092	412	2,220
Rents and Recoveries	30,265		34	716	5	716	31,736
Tobacco Receipts						19,222	19,222
Departmental Revenue	162,582		2,996	1,595		3,239	170,412
Interdepartmental Revenue	85,235		280			11,789	97,304
Interfund Revenue	40,223					235	40,458
Intergovernmental Charges				2,251	109		2,360
Federal Aid	161,100		5,161		23,234	171,673	361,168
State Aid	206,795	265	351		15,342	18,622	241,375
Sales Tax	783,162	209,544					992,706
Preempted Sales Tax in Lieu of Property Taxes	73,305						73,305
Property Taxes	445,412		369,988	117,282		11,252	943,934
Payments in Lieu of Taxes	8,583						8,583
Special Taxes	29,602					3,166	32,768
Other Revenues	8,405		1,404	183	701	17	10,710
Total Revenues	2,116,288	209,809	384,682	123,041	40,483	243,105	3,117,408
EXPENDITURES:							
Current:							
Legislative	10,434					1	10,435
Judicial	60,021					3,222	63,243
General Administration	304,673	1,860				29,846	336,379
Protection of Persons	425,254		364,017			31,448	820,719
Health	193,133					51,023	244,156
Public Works	100,045			90,827		84,111	274,983
Recreation and Parks	25,779					7,432	33,211
Social Services	565,557					11,941	577,498
Corrections	227,718					2,164	229,882
Education	4,749						4,749
Bonded Payments for Tax Certiorari and Other Judgments	34,377						34,377
Other	142,463						142,463
Capital Outlay:							
General						123,371	123,371
Sewage Districts						39,932	39,932
Debt Service:							
Principal	57,530			16,678		152,380	226,588
Interest	71,344			6,435		108,093	185,872
Financing Costs	4,673					7,126	11,799
Total Expenditures	2,227,750	1,860	364,017	113,940	163,303	488,787	3,359,657
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(111,462)	207,949	20,665	9,101	(122,820)	(245,682)	(242,249)
OTHER FINANCING SOURCES (USES):							
Premium on Bonds	8,409				10,435	28,251	47,095
Transfers In	38,995		1,907	674		187	41,763
Transfers Out	(2,768)		(1,958)	(11,917)	(16,591)	(8,529)	(41,763)
Transfers In of Investment Income	1,084			8		1,092	1,092
Transfers Out of Investment Income					(1,092)		(1,092)
Transfers In from NIFA		2,628				211,376	214,004
Transfers Out to NIFA		(211,376)				(2,628)	(214,004)
Transfers In from SFA					3,126	161,777	164,903
Transfers Out to SFA				(4,236)		(160,667)	(164,903)
Transfers In from TSC						150	150
Transfers Out to TSC						(150)	(150)
Issuance of Bonds	67,814				124,333		192,147
Refunding Bonds Issued						317,713	317,713
Payment to Refunded Bonds Escrow Agent						(314,390)	(314,390)
Debt Service - Current Refunding NIFA						(8,060)	(8,060)
Capital Resources				340			340
Total Other Financing Sources (Uses)	113,534	(208,748)	(51)	(15,131)	120,211	225,030	234,845
NET CHANGE IN FUND BALANCE	2,072	(799)	20,614	(6,030)	(2,609)	(20,652)	(7,404)
TOTAL FUND BALANCE AT BEGINNING OF YEAR, AS REPORTED	79,915	18,411	4,025	89,881	143,711	97,859	433,802
Prior Period Adjustments	(54,010)		(25,552)	(1,369)		(1,393)	(82,324)
TOTAL FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED	25,905	18,411	(21,527)	88,512	143,711	96,466	351,478
TOTAL FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 27,977	\$ 17,612	\$ (913)	\$ 82,482	\$ 141,102	\$ 75,814	\$ 344,074

* As restated, see Note 18 to the financial statements.

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, 2012 (Dollars in Thousands) (Restated)**

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

Net change in fund deficit - total governmental funds \$ (7,404)

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	\$ 154,342	
Depreciation expense	(123,751)	
Other	<u>(27,185)</u>	3,406

The issuance of long-term debt (e.g., bonds and 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, has any effect on the net position. 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. The following amounts are net effect of these differences in the treatment of long-term debt and related items:

Effect of GASB 45 and GASB 48 (net)	(201,199)	
Proceeds from sales of bonds	(515,178)	
Principal payments of bonds and payments for refunded bonds	548,096	
Accrued interest payable	(4,151)	
Additions to and amortization of debt issuance costs	(6,772)	
Amortized deferred liabilities	(28,458)	
Change in long-term liabilities	<u>(92,288)</u>	
		<u>(299,950)</u>

Change in net position - governmental activities \$ (303,948)

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, 2012 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual *	GAAP to Budgetary Basis Conversion (Note 13) *	Actual on a Budgetary Basis *	Variance Positive (Negative) *
Revenues:						
Interest and Penalties on Taxes	\$ 28,500	\$ 28,500	\$ 27,988	\$	\$ 27,988	\$ (512)
Licenses and Permits	9,201	9,201	9,902		9,902	701
Fines and Forfeits	49,500	49,500	43,271		43,271	(6,229)
Interest Income	3,355	3,355	458		458	(2,897)
Rents and Recoveries	16,694	16,694	30,265	(916)	29,349	12,655
Departmental Revenue	168,694	169,025	162,582		162,582	(6,443)
Interdepartmental Revenue	155,082	155,082	85,235		85,235	(69,847)
Interfund Revenue	45,663	45,663	40,223		40,223	(5,440)
Federal Aid	165,064	169,880	161,100		161,100	(8,780)
State Aid	234,816	239,557	206,795		206,795	(32,762)
Sales Tax	752,819	752,819	783,162		783,162	30,343
Preempted Sales Tax in Lieu of Property Taxes	85,386	85,386	73,305		73,305	(12,081)
Property Taxes	434,347	434,347	445,412		445,412	11,065
Payments in Lieu of Taxes	8,662	8,662	8,583		8,583	(79)
Special Taxes	31,007	31,007	29,602		29,602	(1,405)
Other Revenues	20,524	20,588	8,405	(5,934)	2,471	(18,117)
Total Revenues	2,209,314	2,219,266	2,116,288	(6,850)	2,109,438	(109,828)
Expenditures:						
Current:						
Legislative	12,587	12,232	10,434	528	10,962	1,270
Judicial	113,592	114,194	60,021	327	60,348	53,846
General Administration	310,898	332,597	304,673	7,140	311,813	20,784
Protection of Persons	395,076	403,125	425,254	(28,996)	396,258	6,867
Health	290,137	285,884	193,133	23,038	216,171	69,713
Public Works	109,541	113,473	100,045	59	100,104	13,369
Recreation and Parks	27,427	26,767	25,779	258	26,037	730
Social Services	612,679	604,877	565,557	19,212	584,769	20,108
Corrections	253,969	245,395	227,718	5,848	233,566	11,829
Education	13,229	11,766	4,749		4,749	7,017
Bonded Payments for Tax Certiorari and Other Judgments			34,377	(34,377)		
Other	155,114	164,915	142,463	(2,151)	140,312	24,603
Total Expenditures	2,294,249	2,315,225	2,094,203	(9,114)	2,085,089	230,136
Debt Service:						
Principal	69,011	69,011	57,530		57,530	11,481
Interest	93,863	93,863	71,344		71,344	22,519
Financing Costs	4,235	4,235	4,673		4,673	(438)
Total Debt Service	167,109	167,109	133,547		133,547	33,562
Total Expenditures	2,461,358	2,482,334	2,227,750	(9,114)	2,218,636	263,698
Excess (Deficiency) of Revenues Over (Under) Expenditures	(252,044)	(263,068)	(111,462)	2,264	(109,198)	153,870
Other Financing Sources (Uses):						
Premium on Bonds	6,438	6,438	8,409		8,409	1,971
Transfers In	124,502	133,592	38,995		38,995	(94,597)
Transfers In of Investment Income			1,084		1,084	1,084
Transfers Out			(2,768)		(2,768)	(2,768)
Capital Resources	9,888	9,888				(9,888)
Issuance of Bonds			67,814	(65,046)	2,768	2,768
Total Other Financing Sources (Uses)	140,828	149,918	113,534	(65,046)	48,488	(101,430)
Net Change in Fund Balance (Deficit)	(111,216)	(113,150)	2,072	(62,782)	(60,710)	52,440
Fund Balance at Beginning of Year, as reported	111,216	113,150	79,915	37,062	116,977	3,827
Prior Period Adjustments			(54,010)	53,851	(159)	(159)
Fund Balance at Beginning of Year, as restated	111,216	113,150	25,905	90,913	116,818	3,668
Fund Balance at End of Year	\$	\$	\$ 27,977	\$ 28,131	\$ 56,108	\$ 56,108

* As restated, see Note 18 to the financial statements.

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
POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual *	GAAP to Budgetary Basis Conversion (Note 13) *	Actual on a Budgetary Basis *	Variance Positive (Negative) *
Revenues:						
Licenses and Permits	\$ 2,829	\$ 2,829	\$ 3,630	\$	\$ 3,630	\$ 801
Fines and Forfeits	1,750	1,750	788		788	(962)
Interest Income	271	271	50		50	(221)
Rents and Recoveries	200	200	34		34	(166)
Departmental Revenue	4,912	4,912	2,996		2,996	(1,916)
Interdepartmental Revenue	354	354	280		280	(74)
Federal Aid			5,161		5,161	5,161
State Aid			351		351	351
Property Taxes	369,985	369,985	369,988		369,988	3
Other Revenue	1,460	1,460	1,404	(1,404)		(1,460)
Total Revenues	381,761	381,761	384,682	(1,404)	383,278	1,517
Expenditures:						
Current:						
Protection of Persons	382,613	382,388	364,017	(2,360)	361,657	20,731
Total Expenditures	382,613	382,388	364,017	(2,360)	361,657	20,731
Excess (Deficiency) of Revenues Over (Under) Expenditures	(852)	(627)	20,665	956	21,621	22,248
Other Financing Sources (Uses):						
Transfers In			1,907	(1,907)		
Transfer Out	(1,733)	(1,958)	(1,958)		(1,958)	
Capital Resources	2,407	2,407				(2,407)
Total Other Financing Sources (Uses)	674	449	(51)	(1,907)	(1,958)	(2,407)
Net Change in Fund Balance (Deficit)	(178)	(178)	20,614	(951)	19,663	19,841
Fund Balance at Beginning of Year, as reported	178	178	4,025		4,025	3,847
Prior Period Adjustments			(25,552)	30,533	4,981	4,981
Fund Balance (Deficit) at Beginning of Year, as restated	178	178	(21,527)	30,533	9,006	8,828
Fund Balance (Deficit) at End of Year	\$	\$	\$ (913)	\$ 29,582	\$ 28,669	\$ 28,669

* As restated, see Note 18 to the financial statements.

See accompanying notes to financial statements.

EXHIBIT X-9**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, 2012 (Dollars in Thousands)**

	Original Budget	Total Budgetary Authority	Actual *	GAAP to Budgetary Basis Conversion (Note 13) *	Actual on a Budgetary Basis *	Variance Positive (Negative) *
Revenues:						
Licenses and Permits	\$ 735	\$ 735	\$ 806	\$	\$ 806	\$ 71
Interest Income	110	110	208		208	98
Rents and Recoveries	71	71	716	4	720	649
Departmental Revenue	40,004	40,004	1,595		1,595	(38,409)
Interdepartmental Revenue	650	650				(650)
Intergovernmental Charges	2,251	2,251	2,251		2,251	
Property Taxes			117,282		117,282	117,282
Other Revenues	165	165	183	(183)		(165)
Total Revenues	43,986	43,986	123,041	(179)	122,862	78,876
Expenditures:						
Current:						
Public Works	130,808	130,808	90,827	12,138	102,965	27,843
Debt Service:						
Principal	16,678	16,678	16,678		16,678	
Interest	9,143	9,143	6,435		6,435	2,708
Total Expenditures	156,629	156,629	113,940	12,138	126,078	30,551
Excess (Deficiency) of Revenues Over (Under) Expenditures	(112,643)	(112,643)	9,101	(12,317)	(3,216)	109,427
Other Financing Sources (Uses):						
Transfers In			674		674	674
Transfers Out	(16,400)	(16,400)	(11,917)		(11,917)	4,483
Transfers In of Investment Income	1,032	1,032	8		8	(1,024)
Transfer In from SFA	100,872	100,872	(4,236)		(4,236)	(105,108)
Capital Resources			340		340	340
Total Other Financing Sources (Uses)	85,504	85,504	(15,131)		(15,131)	(100,635)
Net Change in Fund Balance (Deficit)	(27,139)	(27,139)	(6,030)	(12,317)	(18,347)	8,792
Fund Balance at Beginning of Year, as reported	27,139	27,139	89,881		89,881	62,742
Prior Period Adjustments			(1,369)	1,320	(49)	(49)
Fund Balance at Beginning of Year, as restated	27,139	27,139	88,512	1,320	89,832	62,693
Fund Balance (Deficit) at End of Year	\$	\$	\$ 82,482	\$ (10,997)	\$ 71,485	\$ 71,485

*As restated, see Note 18 to the financial statements.

See accompanying notes to financial statements.

EXHIBIT X-10

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2012 (Dollars in Thousands)**

Agency Fund

ASSETS:

Cash	\$ 49,840
TOTAL ASSETS	<u>\$ 49,840</u>

LIABILITIES:

Accounts Payable	1,195
Due To Component Unit	2,190
Other Liabilities	<u>46,455</u>
TOTAL LIABILITIES	<u>\$ 49,840</u>

Nassau County Tobacco Securitization Corporation Residual Trust

ASSETS:

Cash	<u>\$ 17,891</u>
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LIABILITIES:

Other Liabilities	<u>\$ 17,891</u>
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See accompanying notes to financial statements.

EXHIBIT X-11**COUNTY OF NASSAU, NEW YORK****STATEMENT OF NET POSITION****ALL DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY****DECEMBER 31, 2012 (WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2012)****(Dollars in Thousands)**

	Nassau Community College *	Nassau Health Care Corporation	Nassau County Bridge Authority	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Nassau County Local Economic Assistance Corporation	Total *
ASSETS							
CURRENT ASSETS:							
Cash and Cash Equivalents	\$ 59,043	\$ 16,978	\$ 5,572	\$ 4,637	\$ 1,371	\$ 599	\$ 88,200
Restricted Cash and Cash Equivalents		27,141		664			27,805
Investments	2,805						2,805
Student Accounts and Loans Receivable	9,988						9,988
Less Allowance for Doubtful Accounts	(5,775)						(5,775)
Due from Primary Government	7,608	12,700					20,308
Due from Other Governments	963						963
Other Receivables	1,494	20,464	452				22,410
Accounts Receivable		292,998		454	102		293,554
Less Allowance for Doubtful Accounts		(220,881)					(220,881)
Inventories		5,757	13				5,770
Other Assets - Current	219	22,631	127	577	126	2	23,682
Total Current Assets	76,345	177,788	6,164	6,332	1,599	601	268,829
NON CURRENT ASSETS:							
Restricted Cash and Cash Equivalents		17,779	12,108	1,964			31,851
Deferred Financing Costs	2,787	1,006	310	532			4,635
Less Accumulated Amortization	(2,092)		(28)	(266)			(2,386)
Capital Assets Not Being Depreciated	3,789	25,408	8,505	197			37,899
Depreciable Capital Assets	275,231	507,116	42,890	42,176	97		867,510
Less Accumulated Depreciation	(124,850)	(354,461)	(20,981)	(26,116)	(81)		(526,489)
Deposits Held by Trustees	837						837
Deposits Held in Custody for Others	1,666						1,666
Other Assets - Non Current		21,352					21,352
Total Non Current Assets	157,368	218,200	42,804	18,487	16		436,875
Total Assets	233,713	395,988	48,968	24,819	1,615	601	705,704
LIABILITIES							
CURRENT LIABILITIES:							
Accounts Payable	15,666	57,318	5,301	7,474	275	33	86,067
Accrued Liabilities		20,372		5,231			25,603
Accrued Interest Payable		1,238					1,238
Accrued Vacation and Sick Pay		48,248					48,248
Accrued Pension Benefits		38,371					38,371
Due To Primary Government	472			375			847
Deferred Revenue	17,780		180				17,960
Current Portion of Long Term Liabilities	4,152	4,360	267	1,466	6		10,251
Other Liabilities - Current	2,837	26,059		1,519		89	30,504
Total Current Liabilities	40,907	195,966	5,748	16,065	281	122	259,089
NON CURRENT LIABILITIES:							
Due To Primary Government	2,142						2,142
Notes Payable	841						841
Bonds Payable	85,678	225,141	10,105	10,170			331,094
Accrued Vacation and Sick Pay	51,358		489		113		51,960
Estimated Liability for Litigation	280	37,468					37,748
Deposits Held in Custody for Others	1,666						1,666
Insurance Reserve Liability	1,994						1,994
Liability for Future Pension Expense	1,067						1,067
Postemployment Retirement Benefits Liability	325,745	247,539	1,825	42,792	190		618,091
Derivative Instrument		43,496					43,496
Total Non Current Liabilities	470,771	553,644	12,419	52,962	303		1,090,099
Total Liabilities	511,678	749,610	18,167	69,027	584	122	1,349,188
NET POSITION							
Net Investment in Capital Assets	66,578	95,063	13,122		16		174,779
Restricted:							
Nassau Health Care Corporation		2,066					2,066
Nassau County Bridge Authority			2,000				2,000
Nassau Community College Scholarships	2,587						2,587
Capital Acquisition Fund				10,553			10,553
Capital Projects	6,997		8,108				15,105
Debt Service	837		2,000				2,837
Student Loans	517						517
Unrestricted	(355,481)	(450,751)	5,571	(54,761)	1,015	479	(853,928)
Total Net Position	\$ (277,965)	\$ (353,622)	\$ 30,801	\$ (44,208)	\$ 1,031	\$ 479	\$ (643,484)

* As restated, see Note 18 to financial statements.

See accompanying notes to financial statements.

EXHIBIT X-12**COUNTY OF NASSAU, NEW YORK****STATEMENT OF ACTIVITIES****ALL DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY****FOR THE YEAR ENDED DECEMBER 31, 2012****(WITH THE NASSAU COMMUNITY COLLEGE AUGUST 31, 2012)****(Dollars in Thousands)**

	Nassau Community College	Nassau Health Care Corporation	Nassau County Bridge Authority	Nassau Regional Off-Track Betting Corp.	Nassau County Industrial Development Agency	Nassau County Local Economic Assistance Corporation	Total
Expenses	\$ 230,712	\$ 565,937	\$ 6,853	59,930	\$ 1,999	\$ 299	\$ 865,730
Program Revenues:							
Charges for Services	55,269	517,011	6,422	54,295	760	611	634,368
Operating Grants and Contributions	163,128						163,128
Capital Grants and Contributions		2,735					2,735
Total Program Revenues	218,397	519,746	6,422	54,295	760	611	800,231
Net Program Revenues (Expenses)	(12,315)	(46,191)	(431)	(5,635)	(1,239)	312	(65,499)
General Revenues							
Investment Income	2,529	534	11		5		3,079
Other	4,008	1,045	42	2,400			7,495
Net General Revenues	6,537	1,579	53	2,400	5		10,574
Change in Net Position	(5,778)	(44,612)	(378)	(3,235)	(1,234)	312	(54,925)
Net Position - Beginning of Year	(272,187)	(309,010)	31,179 *	(40,973)	2,265	167	(588,559)
Net Position - End of Year	\$ (277,965)	\$ (353,622)	\$ 30,801	(44,208)	\$ 1,031	\$ 479	\$ (643,484)

* In 2012, the Nassau County Bridge Authority was determined, for the first time, to be a discretely presented component unit. Accordingly, the net position at the beginning of the year was adjusted to include the beginning net position balance for \$31,179.

See accompanying notes to financial statements.

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**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED)

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, as amended by GASB Statement No. 39, *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 Statement No. 14. Although legally separate from the County, the Nassau County Interim Finance Authority (“NIFA”) is a financing instrumentality of the County and, accordingly, is included in the County’s financial statements as a blended component unit in accordance with GASB Statement No. 14, as amended. 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 as the County appoints its governing body, the County approves its budget, issues debt for College purposes and provides approximately 39% of the College’s 2012 budgeted revenues through a County-wide real property tax levy. Therefore, the College is discretely presented. 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 GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis for Public Colleges and Universities*, and in accordance with New York State Education Law. This component unit is presented as of, and for its fiscal year ended, August 31, 2012.

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. 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.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

- (b) *Nassau Health Care Corporation* (d/b/a NuHealth) (“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 2004 were issued to refund the NHCC’s Revenue Bond Series 1999, fund certain capital projects and provide working capital. In 2009, a portion of the Series 2004 Bonds were redeemed with the issuance of the Series 2009 bonds. The bonds are insured and guaranteed by the County. The NHCC is fiscally dependent on the County should certain NHCC debt service reserve funds fall below their requirements. The 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. NHCC, Ltd., a wholly-owned subsidiary of the NHCC (the “Captive”) was incorporated as an exempted company on September 24, 1999 under laws of the Cayman Islands and operates under the terms of an unrestricted Cayman Islands Class B Insurer’s license. The license allows the Captive to conduct insurance business, other than domestic business, from the Cayman Islands. The NHCC accounts for its investment in the limited liability company using the equity method. Long Island Federally Qualified Health Center (“LIFQHC”) is an independent not-for-profit corporation formed on May 14, 2009 and established by NYSDOH on June 15, 2010, as a co-operator of the four treatment centers and a school-based clinic, previously operated solely by NHCC, in order to meet federal governance requirements and obtain designation from the Health Resources and Services Administration (“HRSA”) as a public entity federally qualified health center (“FQHC”) “Look-Alike” organization.

In September 2004, the NHCC and the County executed a stabilization agreement (the “Stabilization Agreement”) amending the original 1999 acquisition agreement. The Stabilization Agreement intended to resolve disputed charges, clarify language in existing agreements and identify the principles to govern more comprehensive successor arrangements. A successor agreement (the “Successor Agreement”) was executed in 2007 superseding the Stabilization Agreement. The Successor Agreement clarifies the services provided by the NHCC to the County and establishes the mechanism for payments to the NHCC by the County and provides the NHCC with capital funding and such agreement is in effect until 2029.

NHCC has a governing board consisting of fifteen voting directors and three non-voting directors. Eight of the voting directors are appointed by the Governor of the State of New York on the recommendation of various State and County elected officials. Seven of the voting directors, and two of the non-voting directors, are appointed directly by the County Executive or the County Legislature. The Chief Executive Officer of NHCC is the final non-voting director. The directors serve varying initial terms of two to four years and will serve five-year terms after the expiration of the initial terms. The County Executive selects one of the voting directors as Chairman of the Board.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

- (c) *The Nassau Regional Off-Track Betting Corporation* (the “OTB”) was created by the New York State Legislature as a public benefit corporation. The County is its sole shareholder. It is reported as a component unit as the County Legislature appoints its governing body, which consists of a Board of Directors made up of three members. The County receives a small portion of winning wagers made at 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 year ended December 31, 2012. At the close of 2012, there were twenty operational facilities.

The County has a support agreement with OTB, which guarantees OTB’s Series 2005 Revenue Bonds. Under the support agreement with the County, OTB is obligated to deposit required debt service payments due into a capital reserve fund. As consideration for entering into this support agreement and in recognition of the benefits anticipated to be derived, OTB makes an annual payment to the County. Over the past several years, OTB has experienced continuing mandated expenses in personnel benefits and other costs and increases in the statutory distribution requirements of New York State laws. These factors, coupled with the uncertain conditions in the general economy and the inability to gain relief on statutory payments to the racing industry, create an uncertainty as to the OTB’s ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

- (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 for private firms and companies 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 year ended December 31, 2012.
- (e) *The Nassau County Local Economic Assistance Corporation* (the “NCLEAC”) was created as a local development corporation. On September 20, 2010, the County Legislature adopted a resolution authorizing the formation of NCLEAC pursuant to Section 1411 of the New York Not-for-Profit Corporation Law. The mission of NCLEAC is to operate exclusively for the public purpose and charitable purpose of benefiting and furthering the activities of the County by serving as a conduit financing entity issuing taxable and tax-exempt revenue debt and providing other assistance to support the growth, expansion, on-going operations and continued viability of the non-profit sector in the County.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

The County appoints the governing board of NCLEAC, which results in the interdependency with the County. Accordingly, NCLEAC has been determined to be a proprietary type component unit of the County and is presented on the accrual basis of accounting for its fiscal year ended December 31, 2012. The County is not liable for any obligations or deficits NCLEAC may incur, nor does it share in any surpluses. NCLEAC entered into a sublicense and cooperation agreement with NCIDA to use office space and storage space, as well as provide administrative services for NCLEAC as it has officers but no employees. The officers and some of the directors of NCLEAC serve in similar positions for the NCIDA. NCLEAC is charged accordingly for the rental and services provided by NCIDA.

NCLEAC's primary source of operating revenue is from bond issuance and straight lease fees, which are computed as a percentage of the total project. Fees are recorded when earned, at the time of closing on the sale of bonds and straight lease arrangements.

- (f) The Nassau County Bridge Authority (the "Bridge Authority") is a Public Benefit Corporation created by the New York State Legislature pursuant to Chapter 893 of the Laws of 1945.

The Bridge Authority operates and maintains the Atlantic Beach Bridge across Reynolds Channel between the Villages of Lawrence and Atlantic Beach in Nassau County.

The Bridge Authority, pursuant to State law, is composed of a five member board which is appointed by the County Executive of Nassau County with approval of the Nassau County Legislature. Each board member serves a five year term without compensation. The board is presently comprised of a Chairman and four board members.

Blended Component Units

- (a) Nassau County Interim Finance Authority ("NIFA") is included as a blended component unit of the County's primary government pursuant to GASB Statement No. 14 because it is a financing instrumentality of the County. 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 and as part of the County's non-major funds (NIFA Debt Service Fund).

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, NIFA is a component unit of the County for County financial reporting purposes and, accordingly, is included in the County's financial statements.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)***Blended Component Units (Continued)***a) *Nassau County Interim Finance Authority (Continued)*

NIFA 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, the vice chairperson has not been designated and two seats are vacant.

NIFA 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 NIFA may no longer issue new bonds or notes, other than to retire or otherwise refund NIFA debt, NIFA was previously empowered to, and did issue, its bonds and notes for various County purposes, defined in the Act as "Financeable Costs." No bond of NIFA may mature later than January 31, 2036, or more than 30 years from its date of issuance.

On January 26, 2011, NIFA adopted a resolution which imposed a Control Period on the County pursuant to the Act. It had determined that the County's proposed budget for fiscal year 2011 reflected a substantial likelihood that it would produce an operating funds deficit in excess of one percent of the aggregate result of operations of such funds. During a control period NIFA is 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 (as defined in the Act); 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.

Subsequent to the resolution imposing the Control Period, NIFA adopted a resolution on March 24, 2011, March 22, 2012 and again on March 14, 2013, declaring a fiscal crisis and ordered the suspension of all increases in salary or wages of employees of the County (the "wage freeze") which were to take effect after the date of the order pursuant to collective bargaining agreements, and other analogous contracts or interest arbitrations awards then in existence or thereafter entered into. All increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan, and step-ups and increments are also suspended. The wage freeze extended through fiscal year 2013. On May 3, 2014, the wage freeze was lifted for four of the five unions, effective April 1, 2014 (see Footnote 19 – Subsequent Events).

All Legislative actions with regard to the approval of contracts or resolutions to borrow funds require NIFA's final authorization.

Revenues of NIFA ("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 NIFA accounts. Sales tax revenues collected by the State Comptroller for transfer to NIFA are not subject to appropriation by the State or County. Revenues of NIFA that are not required to pay debt service, operating expenses, and other costs of NIFA are payable to the County.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)***Blended Component Units (Continued)***

- (b) The Nassau County Tobacco Settlement Corporation (“NCTSC”) is a special purpose local development corporation incorporated under the provisions of the Not-for-Profit Corporation Law of the State of New York and is an instrumentality of, but separate and apart from the County. Although legally separate and independent of the County, NCTSC is considered an affiliated organization under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and reported as a blended 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 a majority vote of 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, 2012, one position was vacant.

On November 23, 1999, NCTSC entered into a Purchase and Sale Agreement (“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 (“TSRs”) 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 \$247.5 million in cash (of which \$77.5 million was paid into escrow for the benefit of the County) and the sole beneficial interest in NCTSC Residual Trust (“Residual Trust”), a Delaware business trust, to which NCTSC has conveyed a residual interest in all the TSRs, annually received in excess of those required to pay debt service on the Series A Bonds. NCTSC’s right to receive TSRs is its most significant asset and is expected to produce funding for its obligations to the extent of the receipt of TSRs.

On April 5, 2006, NCTSC, issued \$431.0 million of NCTSC Tobacco Settlement Asset-Backed bonds, Series 2006 pursuant to an *Amended and Restated Indenture* dated as of March 1, 2006. Proceeds were used for a number of purposes including, to refund all of NCTSC’s 1999 Bonds then currently outstanding and the 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.

Approximately \$140 million of the Series 2006 Bonds and unpledged TSR’s were deposited into the Residual Trust, on behalf of the County as the beneficial owner of the Residual Certificate. Such proceeds are held to provide monies to the County in accordance with the tax certificates executed in connection with the Series 2006 Bonds.

The original 1999 purchase price paid by the NCTSC to the County under the Agreement consisted of: (i) the net proceeds of the sale of the 1999 Bonds and (ii) a 100% beneficial ownership interest in the Trust. The Agreement was amended and restated as of March 1, 2006. Under the amended Agreement, TSRs received from April 5, 2006 to March 31, 2008, were not pledged to the holders of the Series 2006 Bonds and, therefore, all TSRs received during that time were to be transferred to the Trust on behalf of the County. The County has and is expected to continue to appropriate such Series 2006 Bond proceeds to finance various capital projects or designated operating expenses of the County or the NHCC.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)***Blended Component Units (Continued)***

- (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 (the “NCSSWFA Act”), codified as Title-10-D of Article 5 of the Public Authorities 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 \$350.0 million for such purposes (exclusive of debt issued to refund or otherwise repay the NCSSWFA debt). The NCSSWFA Act, and other legal documents of the NCSSWFA, established various financial relationships between the County and the NCSSWFA.

NCSSWFA is governed by seven directors, each appointed by the County Executive with confirmation by the County Legislature. Each member serves a three-year term without compensation.

The NCSSWFA has acquired all of the sewer and storm water resources facilities, buildings, equipment and related assets, other than land (the “System”), 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 pays for the assets acquired in installments by paying the debt service on outstanding bonds originally issued by or on behalf of the County (including bonds issued by NIFA 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. The County also agreed to transfer to the NCSSWFA and the NCSSWFA agreed to acquire from the County any additional System facilities, which became a part of the System (at the time the project is completed), including those facilities financed by obligations of the County or NIFA after the closing date; and, the NCSSWFA shall pay debt service on such new County Bonds in the same manner and time, as set forth above, for the payment of County Bonds. Annually, the obligation to pay for expenditures incurred by the County, for such projects, is transferred to the NCSSWFA. Additionally, the County agrees that, during the term of the Agreement, it will not sell, lease, mortgage, or otherwise give up or encumber the real property upon which the facilities are situated.

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 “Sewer District”). Although the System was transferred to the NCSSWFA, the Sewer District is responsible for the operations of the County’s sewer and storm water resources services, including repairs and maintenance on the System.

NCSSWFA did not issue any debt in 2012.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)

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

Nassau Community College
One Education Drive
Garden City, NY 11530

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

Nassau Health Care Corporation
2201 Hempstead Turnpike
East Meadow, NY 11554

Nassau County Tobacco Settlement Corp.
One West Street
Mineola, NY 11501

Nassau Regional Off-Track Betting
Corporation
220 Fulton Avenue
Hempstead, NY 11550

Nassau County Sewer and Storm Water
Finance Authority
One West Street
Mineola, NY 11501

Nassau County Industrial Development
Agency
1550 Franklin Avenue
Mineola, NY 11501

Nassau County Local Economic Assistance
Corporation
1550 Franklin Avenue
Mineola, NY 11501

Nassau County Bridge Authority
P.O. Box 341
Lawrence, NY 11559

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for financial statements for periods beginning after December 31, 2011. The objective of this Statement is to incorporate certain pronouncements issued on or before November 30, 1989 that do not contradict or conflict with GASB pronouncements. The County has determined that there is no impact on the financial statement presentation for the year ended December 31, 2012. GASB Statement No. 62 supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, which the County had previously implemented. In conformance with GASB Statement No. 20 all applicable GASB pronouncements and only Financial Accounting Standards Board (“FASB”) Statements and Interpretations issued on or before November 30, 1989 that did not conflict with GASB pronouncements were applied.

The County prepares its financial statements in accordance with FASB Accounting Standards Codification (“ASC”) 2200 (previously known as GASB Statement No. 34 *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* (as amended by Statement No. 37 *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34*). 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 Position and Statement of Activities. The County’s Statement of Net Position 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, Police District 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. The issuance of ASC 1800 (previously known as GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*), further modifies the format of the governmental fund financial statements. The implementation of this Statement by the County as of December 31, 2011, resulted in the consolidation of several major and non-major funds, previously reported separately, into the General Fund or the Capital Fund.

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 Funds’, major Special Revenue Funds’ and non-major Special Revenue Funds’ budgets with actual results.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

The College prepares its financial statements in accordance with ASC 960 (previously known as GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities - an amendment of GASB Statement No. 34*).

ASC P50 (formally known as GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*), 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. Prior to the implementation of GASB Statement No. 45, the County's postretirement benefits were accounted for on a pay-as-you-go basis. GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27*, requires reporting changes to amend applicable note disclosures and required supplemental information requirements as previously defined in Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 27 *Accounting for Pensions by State and Local Governmental Employers* to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45.

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (superseded by ASC 1800), which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. It establishes fund balance classifications, such as nonspendable, restricted, committed, assigned and unassigned, that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Several special revenue funds were consolidated into the General Fund as a result of this pronouncement. See Footnote 1 A, Basis of Presentation.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The requirement of Statement No. 60 improves financial reporting by establishing recognition, measurement and disclosure requirements for service concession arrangements (SCAs), which are a type of public-private or public-public partnership, for both transferors and governmental operators. The Statement requires governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. Statement No. 60 is effective for financial statements for periods beginning after December 15, 2011. The County has determined that there is no impact on the financial statement presentation for the year ended December 31, 2012.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, (superseded by ASC 530) to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The effect of this statement on the County’s financial statements was to change the presentation of the Statement of Net Position.

In June 2011, the GASB issued Statement No. 64, *Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. As a result of GASB Statement No. 62, this was superseded by ASC D40. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement is effective for financial statements for periods beginning after June 15, 2011. The County has determined that there is no impact on the financial statement presentation for the year ended December 31, 2012.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

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:

Government-wide Statements: The government-wide financial statements, (i.e., the Statement of Net Position 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., and (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 County-wide services. Its principal sources of revenue are sales tax, the County-wide 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 that are restricted committed or assigned to expenditures for payment of principal and interest on NIFA's bonds.

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.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

Sewer and Storm Water District Fund - This special revenue 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.

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. Three non-major capital projects funds have been consolidated into the Capital Fund as a result of the County's implementation of GASB Statement No. 54. Those funds are the Sewer and Storm Water District Construction Fund, the Sewage Disposal District Construction Funds and the Sewage Collection Districts Construction Fund.

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.

New Accounting Standards

GASB issued Statement No. 61, (ASC 2100), *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14, as amended by GASB Statement No. 39, (The Reporting Entity) and No. 34 (Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments)*. The objective of Statement No. 61 is to improve financial reporting for a governmental financial reporting entity. Statement No. 61 is effective for financial statements for periods beginning after June 15, 2012. 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 April 2012, GASB issued Statement No. 65, (ASC D20), *Items Previously reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The County has not completed the process of evaluating the impact that will result from implementing this and is therefore unable to determine the impact that adopting this Statement will have on its financial position and results of operation when such statement is adopted.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

In April 2012, GASB issued Statement No. 66 (ASC C50), *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The County has not completed the process of evaluating the impact that will result from implementing this and is therefore unable to determine the impact that adopting this Statement will have on its financial position and results of operation when such statement is adopted.

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* was issued. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The County has not completed the process of evaluating the impact that will result from implementing this and is therefore unable to determine the impact that adopting this Statement will have on its financial position and results of operation when such statement is adopted.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for fiscal years beginning after June 15, 2014. The County has not completed the process of evaluating the impact that will result from implementing this and is therefore unable to determine the impact that adopting this Statement will have on its financial position and results of operation when such statement is adopted.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Governmental Operations*. This Statement provides guidance for:

- Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations.
- Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations.
- Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition, and
- Reporting the disposal of government operations that have been transferred or sold.

The requirements of this Statement are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis. 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 operation when such statement is adopted.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. Statement No. 70 also requires:

- A government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization;
- An issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation;
- A government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2013. The County has not completed the process of evaluating the impact that will result from implementing this and is therefore unable to determine the impact that adopting this Statement will have on its financial position and results of operations when such statement is adopted.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)**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. Non-exchange 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 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 GAAP: 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.

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 ASC 960 (previously known as GASB Statement No. 35 *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*).

Nassau Health Care Corporation - In its accounting and financial reporting, the NHCC follows the pronouncements of the Governmental Accounting Standards Board ("GASB"). In addition, the NHCC has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board ("FASB"), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)

C. BUDGETS AND BUDGETARY ACCOUNTING

An appropriated budget is legally adopted for each fiscal year for the General Fund, and each of the Special Revenue Funds, with the exception of NIFA, NCSSWFA, NCTSC, and the Grant and FEMA Funds. 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 and FEMA Funds are appropriated for the life of specific grants, not for annual fiscal periods. Accordingly, the Grant and FEMA 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 and FEMA Funds, 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 County Legislature.

During the fiscal year ended December 31, 2012, supplemental appropriations for the General Fund and appropriation budgets for the Grant and FEMA Funds were adopted and are included in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budgeted Funds as follows (dollars in thousands):

Supplemental Appropriations:	
General Fund	\$ 21,939
Grant Fund appropriated budgets	207,714
FEMA Fund appropriated budgets	<u>213,721</u>
Total Supplemental Appropriations and Grant Fund and FEMA Appropriated Budgets	<u>\$ 443,374</u>

Appropriations, which have not been expended or encumbered by the end of the fiscal period, lapse at that time, except for the Grant, FEMA and Capital Funds, whose budgets are legally adopted for the life of the grant, or until the capital project is completed.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)

C. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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 public 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 fund's departmental control center. The County Legislature must approve all transfers and supplemental appropriations at this level.

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 within governmental funds as restricted, committed or assigned fund balance since they do not constitute expenditures or liabilities.

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits as well as highly liquid investments with original maturities of three months or less from the date acquired by the County or its component units, except for assets whose use has been restricted. 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.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)**E. CASH AND CASH EQUIVALENTS (Continued)**

Restricted cash represents amounts held for payment of future debt service.

As required by law, all cash deposits and cash equivalents are required to be fully collateralized or insured. Bank balances are covered by Federal Depository Insurance Corporation insurance or by collateral consisting of obligations of the United States Government held by the County's agent in the County's name, or agents of its component units in their names.

F. INVESTMENTS

The County carries investments at cost, which approximates market, and are fully collateralized in accordance with the New York State Local Finance Law. The County's investments 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, and shares of an investment fund, held by NCTSC, which invests in short-term U.S. Treasury securities paying a fixed, variable or floating interest rate and in repurchase agreements backed by U.S. Treasury securities.

Restricted investments represent amounts for the payment of future debt service and amounts restricted by contractual agreements and regulations.

G. 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 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.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)**H. 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 Statement No. 34 states that capital assets should be depreciated over their estimated useful lives, unless they are inexhaustible. Pursuant to GASB Statement No. 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.

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, ranging from 3 to 40 years, 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 are recorded over the assets' estimated useful lives using the straight-line method (5 to 20 years) and are 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 (5 to 10 years). Leasehold improvements are amortized over the shorter of 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 method over the estimated useful life of the assets, ranging from 3 to 7 years, depending on the type of asset.

Nassau County Sewer and Storm Water Finance Authority - Capital assets are depreciated over their economic useful life, ranging from 5 to 40 years, depending on the type of asset, using straight-line method.

Nassau County Bridge Authority - Capital assets are depreciated over their economic useful life, ranging from 4 to 39 years, using straight-line method over their applicable rates.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)**I. INVENTORIES AND PREPAID EXPENSES**

Inventory on hand for the County is not significant and is recorded as an expenditure in the period purchased. The NHCC carries its inventories at the lower of cost or market, with cost being determined by the first-in, first-out method. The Bridge Authority carries its inventory at an average cost and is subsequently charged to expenditures when consumed.

Prepaid expenses represent amounts paid as of year-end, which will benefit future operations and are accounted for using the consumption method.

J. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP/DEFERRED OUTFLOW OF RESOURCES

In accordance with GASB Statement No. 53, NIFA's derivative instruments, consisting of interest rate swap agreements, qualify as hedging derivative instruments and have been recorded at fair value, using the zero coupon methodology, in the Statement of Net Position as derivative instruments – interest rate swaps. The recording of the fair value of hedging derivative instruments has not affected investment income or NIFA's net position, but has been reported as a deferral and is included in the deferred outflow of resources in NIFA's Statement of Net Position.

K. FUND EQUITY CLASSIFICATIONS

In accordance with GASB Statement No. 54, the classification of Fund Balance is based on the extent to which the County is obligated to abide by constraints on the specific purposes for which government funds may be spent. Previously, fund balance was reported in the governmental funds balance sheet in a manner to distinguish whether the resources were available for appropriation and further constrained as restricted. The Fund Balance classifications are as follows:

Nonspendable – includes fund balance amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The County's prepaid assets, primarily comprised of prepaid retirement expense that is required to be paid in the current year for the following year's expense, are deemed to be not in spendable form, and have therefore been categorized as Nonspendable.

Restricted – includes fund balance amounts that are restricted to specific purposes. The restrictions must be imposed by external parties, such as creditors, grantors, or other governments, constitutional provisions, or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes pursuant to formal action of the government's highest level of authority. For the County, the highest level of authority is the County's Legislature. An ordinance committing the funds must be enacted prior to year-end in order to commit fund balance. The funds may not be used for any other purpose unless the constraint is changed by a similar action taken by Legislature prior to year-end.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)**K. FUND EQUITY CLASSIFICATIONS (Continued)**

Assigned - includes fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are considered neither restricted nor committed. Department Heads have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Funds, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – includes fund balance amounts that have no constraints as to their use. The County's general-purpose fund balance is reported as Unassigned.

When both restricted and unrestricted fund balance is available, the County normally uses unrestricted amounts to be spent first, unless there are legal requirements to the contrary. The County does not have a formal policy with respect to the order in which unrestricted resources will be used, therefore, in accordance with Statement No. 54, the County's unrestricted resources shall be used in the following order: committed, assigned and unassigned.

The County has a policy to set recommended levels of unreserved fund balance (now Assigned and Unassigned) of no less than four percent and no more than five percent of normal prior-year expenditures made from its internally defined General Fund and County-wide Special Revenue Funds. The policy stipulates that use of unreserved fund balance is restricted to: (i) non-recurring expenses that promote important policy objectives; or (ii) extraordinary operating and capital purposes that could not be anticipated and which otherwise cannot be financed with current revenues in the annual Operating Budget. At the year ended 2012, the fund balance level is 2.58% of 2011 normal, recurring expenditures. This is well below the County's self-imposed policy.

The County's policy further mandates that it shall maintain combined level of financial resources in its unreserved and reserve funds (now Nonspendable, Restricted and Committed) of no less than five percent of normal prior-year expenditures.

L. 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 Statement of Net Position. 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, 2012, any accumulated and unpaid benefits as of that date have been recorded in the government-wide Statement of Net Position.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)**M. GRANTS AND OTHER INTERGOVERNMENTAL 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.

During 2012, as a result of Superstorm Sandy (the "Storm"), the County sustained damage, mainly from downed trees and floodwaters. Many County roads had numerous large trees fall, damaging sidewalks and obstructing the right-of-ways. Fallen trees and debris were removed by County workforce and outside contractors. Several County Parks also incurred damage. There was damage to various recreational facilities, due to flooding issues. The County employees undertook various emergency protective measures to prepare and respond to the needs of residents. The County's costs for emergency protective measures, debris removal and other recovery efforts totaled approximately \$112.4 million through December 31, 2012, with the work to continue for several months. The County has assessed most of the damage from the Storm. The County has recorded \$100.7 million in anticipated aid from FEMA, which represents 90% of the costs. The other 10% will either be reimbursed by New York State, borne by the County, or some combination. Currently, the 10%, representing \$11.8 million is comprised of \$9.7 million, recorded in the operating funds of the County, and \$2.1 million recorded in the Sewer and Storm Water Fund.

N. 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 semi-annual 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 ("Administration Code"), the County assumes the burden of such uncollected taxes, and has the responsibility for their collection from the taxpayers. However, in October 2010, the Legislature repealed the provisions of this section of the Administrative Code to require that the jurisdiction that received the benefit of the taxes (or other levies or assessments) bear the cost of refunds, cancellations or credits of such taxes, levies or assessments. The local law, which took effect immediately, was to be applied to assessment rolls that took effect April 2012 and thereafter, however, a number of school districts and other jurisdictions in the County that would have been affected by the local law, brought lawsuits against the County challenging the validity of the County's repealing of the Administrative Code provision. The County has not yet charged the cost of the property tax refunds to the affected jurisdiction pending the final outcome of the lawsuit.

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 maximum taxing authority controlling the levy of County real property taxes for 2012 was \$4.9 billion. The constitutional tax margin was \$4.4 billion or approximately 89.9% of the maximum taxing authority in 2012 (see Exhibit T-10).

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)**N. REAL PROPERTY TAX (Continued)**

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.

The New York State Legislature and the New York State Governor enacted legislation in 2011 that establishes a “property tax cap” on the amount that a local government’s property tax levy can increase each year. Chapter 97 of the Laws of 2011 (Part A-Property Tax Cap) establishes a tax levy limit (hereafter referred to as the “property tax cap”) that affects all local governments, most school districts in New York State, except New York City, and a host of other independent taxing entities such as library, fire and water districts. The law is effective for local fiscal years beginning in 2012 and for the 2012-13 school year. Under this law, the growth in the property tax levy, the total amount to be raised through property taxes charged on the municipality’s taxable assessed value of property, will be capped at 2 percent or the rate of inflation, whichever is less, with some exceptions. Local communities have the ability to override the cap.

The tax cap is a restriction on the year-to-year increase in the tax levy, while the constitutional tax limit is a restriction on the total amount of the levy in any single year. Therefore, the tax levy limit is a separate restriction imposed upon counties, cities and villages that is in addition to the threshold constraint of the constitutional tax limit. Counties, cities and villages must meet both requirements.

O. 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.

P. 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 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 Statement of Net Position.

Q. 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 Statement of Net Position. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (RESTATED) (Continued)**R. 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.

S. CLAIMS AND CONTINGENCIES

The County is self-insured with respect to most risks including, but not limited to, property damage, personal injury, and workers' compensation. The County carries insurance on its police helicopters, selected leased facilities, a blanket fidelity bond on all County employees, and the following coverage on its summer recreation program: accident insurance, umbrella and general liability. In the fund financial statements, expenditures for judgments and claims and workers' compensation are recorded when paid or accruable. In the government-wide financial statements, the estimated liability for all judgments and claims is recorded as a liability.

T. 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

At December 31, 2012, the carrying amount of the County's deposits was approximately \$698.5 million, and the bank balance was \$735.9 million. At December 31, 2012, total cash and cash equivalents amounted to \$766.3 million in 2012, which consisted of approximately \$766.3 million in money market interest bearing bank accounts at rates averaging 0.35% annually.

As of December 31, 2012, total investments amounted to \$73.2 million. The investments 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, and shares of an investment fund, held by NCTSC, which invests in short-term U.S. Treasury securities paying a fixed, variable or floating interest rate and in repurchase agreements backed by U.S. Treasury securities.

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.

Credit risk is the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises whenever a borrower is expecting to use future cash flows to pay a current debt. Investors are compensated for assuming credit risk by way of interest payments from the borrower or issuer of a debt obligation. Credit risk may be eliminated or minimized by purchasing certain securities, such as obligations of the U.S. government or those explicitly guaranteed by the U.S. government.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

2. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2012, the County did not have any investments subject to credit risk or interest rate risk.

The following table summarizes the County’s cash (including Agency and Trust cash) and investment position at December 31, 2012; all investments mature in less than one year (dollars in thousands):

	Cash and Cash Equivalents	Investments	Total
Cash	\$ 766,265	\$	\$ 766,265
Treasury notes and investments		73,167	73,167
Totals	\$ 766,265	\$ 73,167	\$ 839,432
Governmental Funds	\$ 698,534	\$ 73,167	\$ 771,701
Fiduciary Funds	67,731		67,731
Totals	\$ 766,265	\$ 73,167	\$ 839,432

The County maintains a consolidated disbursement account with a financial institution on behalf of the College. At August 31, 2012, the College had a cash balance of \$36.9 million, and the bank balance was \$28.0 million. 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, 2012, the carrying amount (fair value) of the College’s investments was \$2.8 million.

3. DUE FROM OTHER GOVERNMENTS

The account “Due from Other Governments” at December 31, 2012 represents aid, grants, and other amounts receivable from the State and Federal governments. The following summarizes such receivables (dollars in thousands):

Fund	Federal	State/Other*	Total
General	\$ 84,123	\$ 105,560	\$ 189,683
NIFA		84	84
Police District	5,161	351	5,512
Sewer and Storm Water	112	2,270	2,382
Capital Fund	17,685	560	18,245
Nonmajor Governmental	107,130	3,617	110,747
Totals	\$ 214,211	\$ 112,442	\$ 326,653

* Included \$12,004 of sales tax receivable at December 31, 2012

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

4. TAX REAL ESTATE

The account "Tax Real Estate" includes real property, which the County has acquired through tax enforcement 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 Statement of Net Position.

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.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (RESTATED)

A. Interfund Receivables, Payables and Transfers

The individual fund Interfund Receivables and Interfund Payables as of December 31, 2012 are reconciled as follows (dollars in thousands):

December 31, 2012	General Fund	NIFA General Fund	Police Districts Fund	Sewer & Storm Water District Fund	Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
INTERFUND RECEIVABLE							
General Fund	\$	\$	\$	\$	\$ 27,747	\$ 2,264	\$ 30,011
NIFA General		9,1968				16,914	108,882
Police District		12,387			1,655		14,042
Sewer & Storm District		26,735			525	1,053	28,313
Capital Fund		84,404				7	84,411
Nonmajor Funds		14,526	6,314	24,000		287	45,127
TOTAL RECEIVABLE	\$ 230,020	\$	\$ 6,314	\$ 24,000	\$ 29,927	\$ 20,525	\$ 310,786
INTERFUND PAYABLE							
General Fund	\$	\$ (9,1968)	\$ (12,387)	\$ (26,735)	\$ (84,404)	\$ (14,526)	\$ (230,020)
Police District						(6,314)	(6,314)
Sewer & Storm District						(24,000)	(24,000)
Capital Fund	(27,747)		(1,655)	(525)			(29,927)
Nonmajor Funds	(2,264)	(16,914)		(1,053)	(7)	(287)	(20,525)
TOTAL PAYABLE	\$ (30,011)	\$ (108,882)	\$ (14,042)	\$ (28,313)	\$ (84,411)	\$ (45,127)	\$ (310,786)
December 31, 2012 Transfers In:							
	General Fund	Police District	Sewer & Storm District	Nonmajor Funds	Total		
Transfers Out:							
General Fund	\$	\$ 1,907	\$ 674	\$ 187	\$ 2,768		
Police District	1,958				1,958		
Sewer & Storm District	11,917				11,917		
Capital Fund	16,591				16,591		
Nonmajor Funds	8,529				8,529		
TOTAL	\$ 38,995	\$ 1,907	\$ 674	\$ 187	\$ 41,763		

*Interfund transactions are described in Note 1(O).

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (RESTATED) (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.

B. Due from/Due to Primary Government and Component Units (Restated)

The total amounts shown as Due to Primary Government and Due from/to Component Units (discretely presented) at December 31, 2012 do not offset each other as they include accounts of the College at the end of their fiscal year on August 31, 2012, and the NHCC, which has timing differences with the County. The following reconciles the December 31, 2012 amount by carrying forward the College transactions affecting these accounts from September 1, 2012 through December 31, 2012 and the NHCC for the timing differences.

<u>Dollars in Thousands</u>	<u>2012</u>	*
Due from Primary Government (Exhibit X-1), Component Units	\$ 20,308	
Due to Primary Government (Exhibit X-1), Component Units	(2,989)	
Net Due from Primary Government, Component Units	<u>\$ 17,319</u>	
Nassau Community College Transactions from September 1, to December 31:		
Increase in due from Capital Fund	1,143	
Increase in due from Fiduciary Fund	3,964	
Decrease in due from General Fund	(3,900)	
Decrease in other due froms	<u>1,136</u>	
Subtotals		<u>2,343</u>
Nassau Health Care Corporation		
Net Change in Encumbrances		<u>(18,151)</u>
Due To Component Units - Fiduciary per Balance Sheet: (Exhibit X-10)		(2,190)
Due From Component Units - Governmental per Balance Sheet (Exhibit X-1)		11,012
Due To Component Units - Governmental per Balance Sheet (Exhibit X-1)		<u>(10,333)</u>
Due to Component Units - Fiduciary and Governmental		<u>\$ (17,319)</u>

* As restated, see Note 18 to the financial statements.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

7. DEFERRED CHARGES

NCTSC Deferred Charges

Deferred charges, created as a result of the issuance of the NCTSC's 2006 Serial Bonds and the deferral of cost from purchase of the future TSRs, as of December 31, 2012 are as follows (dollars in thousands):

Cost of issuance	\$	1,519
Original issue discount		9,011
Underwriter's discount		3,836
Loss on defeasance		<u>18,869</u>
Total cost of issuance		33,235
Less: related amortization		<u>(7,270)</u>
Deferred charges, net - cost of issuance	\$	<u><u>25,965</u></u>
Purchase of TSRs	\$	387,765
Less: related amortization		<u>(69,688)</u>
Deferred charges, net - purchase of TSRs	\$	<u><u>318,077</u></u>

Total amortization for the cost of issuance and purchase of TSRs for the year ended December 31, 2012 totaled \$1,039 and \$9,896, respectively, of which \$590 is recorded as interest expense.

8. CAPITAL ASSETS

The following schedule for the 2012 capital assets is reconciled to the 2012 amounts reported on Exhibit X-1 in the table below:

**Summary of Capital Asset Balances and Net Investment in Capital Assets
(Dollars in Thousands)**

	<u>Primary Government</u>		<u>Total per X-1</u>
	<u>County</u>	<u>NCSSWFA</u>	
Capital assets not being depreciated	\$ 610,113		\$ 610,113
Depreciable capital assets	2,287,826	\$ 1,345,045	3,632,871
Accumulated depreciation	<u>(1,316,395)</u>	<u>(347,217)</u>	<u>(1,663,612)</u>
Capital assets - net	1,581,544	997,828	2,579,372
Outstanding related debt	<u>(756,867)</u>	<u>(146,795)</u>	<u>(903,662)</u>
Net investment in capital assets	<u><u>\$ 824,677</u></u>	<u><u>\$ 851,033</u></u>	<u><u>\$ 1,675,710</u></u>

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

8. CAPITAL ASSETS (Continued)

The County and NCSSWFA evaluates capital assets for prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The County’s and NCSSWFA’s practice is to record an impairment loss in the period when it is determined that the carrying amount of the assets will not be recoverable. At December 31, 2012, the NCSSWFA evaluated its capital assets and realized a loss from impairment of \$26.2 million.

Activity for capital assets, reconciled to the 2012 amount reported in Exhibit X-1, is summarized below (dollars in thousands):

Primary Government	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 232,553	\$ 6,701	\$ 170	\$ 239,084
Intangible - land dev rights	8,804			8,804
Construction in progress	400,669	116,409	154,853	362,225
Total capital assets, not being depreciated:	642,026	123,110	155,023	610,113
Capital assets, being depreciated:				
Land improvements	80,558	24	2,525	78,057
Buildings	1,021,833	98,145	22,741	1,097,237
Equipment	531,695	37,488	15,324	553,859
Infrastructure	1,867,124	50,428	13,834	1,903,718
Total capital assets, being depreciated	3,501,210	186,085	54,424	3,632,871
Total capital assets	4,143,236	309,195	209,447	4,242,984
Less accumulated depreciation:				
Land improvements	48,134	3,485	1,566	50,053
Buildings	378,633	25,733	5,307	399,059
Equipment	394,681	32,419	14,231	412,869
Infrastructure	745,822	62,114	6,305	801,631
Total accumulated depreciation	1,567,270	123,751	27,409	1,663,612
Total capital assets, being depreciated, net	1,933,940	62,334	27,015	1,969,259
Governmental activities capital assets, net	\$ 2,575,966	\$ 185,444	\$ 182,038	\$ 2,579,372

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

8. CAPITAL ASSETS (Continued)

Activity for capital assets for the primary government, excluding NCSSWFA, is summarized below (dollars in thousands):

Primary Government	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 232,553	\$ 6,701	\$ 170	\$ 239,084
Intangible - land dev rights	8,804			8,804
Construction in progress	400,669	116,409	154,853	362,225
Total capital assets, not being depreciated	642,026	123,110	155,023	610,113
Capital assets, being depreciated:				
Land improvements	80,558	24	2,525	78,057
Buildings	695,382	98,127	2,386	791,123
Equipment	529,143	37,053	15,218	550,978
Infrastructure	847,456	28,338	8,126	867,668
Total capital assets, being depreciated	2,152,539	163,542	28,255	2,287,826
Total capital assets	2,794,565	286,652	183,278	2,897,939
Less accumulated depreciation:				
Land improvements	48,134	3,485	1,566	50,053
Buildings	308,673	16,570	780	324,463
Equipment	393,655	32,023	14,143	411,535
Infrastructure	511,439	24,645	5,740	530,344
Total accumulated depreciation	1,261,901	76,723	22,229	1,316,395
Total capital assets, being depreciated, net	890,638	86,819	6,026	971,431
Governmental activities capital assets, net	\$ 1,532,664	\$ 209,929	\$ 161,049	\$ 1,581,544

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

8. CAPITAL ASSETS (Continued)

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

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

	<u>Primary Government</u>		
	<u>County</u>	<u>NCSSWFA</u>	<u>Total</u>
Transfer from construction in progress	\$ 154,853	\$	\$ 154,853
Additions to capital assets:			
Land improvements	\$ 24	\$	\$ 24
Land	6,256		6,256
Buildings	98,127	18	98,145
Infrastructure	28,338	22,090	50,428
	<u>\$ 132,745</u>	<u>\$ 22,108</u>	<u>\$ 154,853</u>

Depreciation expense was charged to functions of the primary government for the fiscal year ended December 31, 2012 as follows (dollars in thousands):

	<u>Land Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
Functions:					
Legislative	\$	\$ 6	\$ 1	\$	\$ 7
Judicial	80	1,231	267		1,578
General administration	60	2,945	841	1	3,847
Protection of persons	9	1,890	6,183		8,082
Health		112	183		295
Public works	55	9,423	3,471	60,421	73,370
Recreation and parks	3,216	2,415	204	1,693	7,528
Social services	60	189	32		281
Corrections		4,582	405		4,987
Other expenditures/MSBA		660	9,748		10,408
Metropolitan transportation authority			11,083		11,083
Other	5	2,280			2,285
Total depreciation expense	<u>\$ 3,485</u>	<u>\$ 25,733</u>	<u>\$ 32,418</u>	<u>\$ 62,115</u>	<u>\$ 123,751</u>

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

8. CAPITAL ASSETS (Continued)

In 1999, the County entered into an agreement with the MTA to finance mass transportation projects of the Long Island Rail Road Company (LIRR) and the MTA. This project financed LIRR rolling stock. In accordance with the agreement, in 2001, the County was granted a leasehold interest in the financing of \$140.0 million of rolling stock for use by the LIRR which is included in the county’s capital assets – equipment. The amount is being amortized over 20 years, which approximates the length of the debt maturity. This funding was provided through the County’s issuance of bonds.

Sources of funding of the general capital assets at December 31, 2012 were as follows (dollars in thousands):

Long term serial bonds	\$ 2,447,124
Temporary financing and bond anticipation notes	58,942
Federal grants	47,917
New York State grants	99,163
General fund revenues	120,492
Special revenue fund revenues	56,700
Gifts	28,200
Acquisitions prior to December 31, 1985	33,944
Capitalized lease	5,457
Total funding sources	<u>\$ 2,897,939</u>

General capital assets of the County by function at December 31, 2012 were as follows (dollars in thousands):

Legislative	\$ 361
Judicial	81,889
General administration	333,957
Protection of persons	168,277
Health	8,413
Public Works	2,253,896
Recreation and parks	257,087
Social services	25,554
Corrections	193,766
Other expenditures/MSBA	223,894
Metropolitan transportation authority	140,040
Misc. unclassified	193,625
Construction in progress	362,225
Total	<u>4,242,984</u>
Less: accumulated depreciation	1,663,612
Total net capital assets	<u>\$ 2,579,372</u>

Total combined capital assets of the County (in thousands), including its blended component unit, NCSSWFA, as of December 31, 2012, is \$4.2 billion with accumulated depreciation of \$1.7 billion.

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

8. CAPITAL ASSETS (Continued)

NCSSWFA Capital Assets

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

Property, Plant and Equipment
Nassau County Sewer and Storm Water Finance Authority Fixed Assets
 (Dollars in Thousands)

	<u>Balance</u> <u>January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2012</u>
Capital assets				
Buildings	\$ 326,451	\$ 18	\$ 20,355	\$ 306,114
Equipment	2,552	435	106	2,881
Infrastructure	1,019,668	22,090	5,708	1,036,050
Total capital asset	<u>1,348,671</u>	<u>22,543</u>	<u>26,169</u>	<u>1,345,045</u>
Less accumulated depreciation:				
Buildings	69,960	9,163	4,527	74,596
Equipment	1,026	396	88	1,334
Infrastructure	234,383	37,469	565	271,287
Total accumulated depreciation	<u>305,369</u>	<u>47,028</u>	<u>5,180</u>	<u>347,217</u>
Capital assets - net	<u>\$ 1,043,302</u>	<u>\$ (24,485)</u>	<u>\$ 20,989</u>	<u>\$ 997,828</u>

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

8. CAPITAL ASSETS (Continued)

Nassau Community College Capital Assets

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

	Balance at August 31, 2011	Additions	Deletions	Balance at August 31, 2012
Capital assets, not being depreciated:				
Land	\$ 2,733	\$	\$	\$ 2,733
Library	1,008	48		1,056
Total capital assets, not being depreciated	3,741	48		3,789
Capital assets, being depreciated:				
Land improvements	4,075	5,908		9,983
Infrastructure	9,208	2,503		11,711
Buildings	194,499	10,778	791	204,486
Building improvements	36,548	3,532		40,080
Equipment	7,449	1,108	224	8,333
Total capital assets, being depreciated	251,779	23,829	1,015	274,593
Total capital assets	255,520	23,877	1,015	278,382
Less accumulated depreciation:				
Land improvements	1,017	318		1,335
Infrastructure	1,831	563		2,394
Buildings	89,932	3,526	198	93,260
Building improvements	19,131	1,739		20,870
Equipment	6,157	571	224	6,504
Total accumulated depreciation	118,068	6,717	422	124,363
Net capital assets being depreciated	133,711	17,112	593	150,230
Capital Assets, net	\$ 137,452	\$ 17,160	\$ 593	\$ 154,019

Capital assets of the Faculty-Student Association, the Component unit of the College as of August 31, 2012 consisted of the following (dollars in thousands):

	Balance August 31, 2012
Furniture and equipment	\$ 395
Vans	243
	638
Less accumulated depreciation	(487)
Total capital assets (net)	\$ 151

Total depreciable capital assets of the College and Faculty-Student Association, the component unit of the College as of August 31, 2012, was \$274.6 million with accumulated depreciation of \$124.4 million.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

9. 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. 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 ending December 31, 2012 were approximately \$8.1 million.

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

		Capital Lease	Operating Leases	Total Capital & Operating Leases
Governmental Activities				
Fiscal year ending December 31:	2013	\$ 799	\$ 7,824	\$ 8,623
	2014	810	7,127	7,937
	2015	822	7,169	7,991
	2016	834	7,555	8,389
	2017	846	200	1,046
	2018 - 2022	4,435		4,435
	2023 - 2025	2,433		2,433
		<u>10,979</u>	<u>\$ 29,875</u>	<u>\$ 40,854</u>
	Future minimum payments	10,979	\$ 29,875	\$ 40,854
	Less: interest	<u>5,725</u>		
	Present value of future minimum lease payments	<u>\$ 5,254</u>		

The County recorded a building lease as a capital lease because when the lease term ends in 2025, the ownership of the building transfers to the County. The County also leases County-owned property to others and the leases are classified as operating leases. Total rental revenue on these leases for 2012 was \$2.6 million.

As of December 31, 2012, the following future minimum rentals are provided for by the leases (dollars in thousands):

		Operating Leases (in Thousands)
Fiscal year ending December 31:	2013	\$ 2,590
	2014	2,525
	2015	2,347
	2016	1,354
	2017	1,062
	2018 - 2022	2,894
	2023 - 2026	1,157
		<u>\$ 13,929</u>

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

9. LEASES (Continued)

These leases are for land and buildings with the total cost and carrying amount of \$4.7 million for land, and the original cost of \$19.8 million, which has been fully depreciated for buildings at December 31, 2012.

10. NOTES PAYABLE AND LONG-TERM OBLIGATIONS

County of Nassau Notes Payable

On April 25, 2012, the County issued Series A Bond Anticipation Notes in the amount of \$34.6 million, to finance various sewer system improvements within the County. The Bond Anticipation Notes bear interest at 1.5% and matured April 1, 2013.

On June 7, 2012, the County issued Series A and Series B Revenue Anticipation Notes in the amount of \$158.9 million and \$59.6 million, respectively, to finance cash flow needs within the County. The Series A notes bear interest at 2% and matured March 29, 2013. The Series B notes bear interest at 2% and matured April 30, 2013.

On December 6, 2012, the County issued Series A, Series B and Series C Tax Anticipation Notes in the amount of \$19.8 million, \$168.5 million and \$69.4 million, respectively, to finance cash flow needs within the County. The Series A notes bear interest at 2%, and matured April 1, 2013. The Series B notes bear interest at 2% and mature September 30, 2013. The Series C notes bear interest at 2% and mature October 31, 2013.

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

	Balance January 1, 2012	Issued	Redeemed	Balance December 31, 2012
General Fund:				
Tax anticipation notes - (2.0% issued 2012, maturity dates in 2013)	\$ 230,000	\$ 257,725	\$ 230,000	\$ 257,725
Revenue anticipation notes - (2.0% issued in 2012, maturity dates in 2013)	230,000	218,445	230,000	218,445
Total General Fund	\$ 460,000	\$ 476,170	\$ 460,000	\$ 476,170
County Capital Projects Fund:				
Bond anticipation notes - (1.5% issued 2012, matured April 1, 2013) Sewer and storm water projects	\$	\$ 34,600	\$	\$ 34,600

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

Long – Term Obligations (Restated)

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

	Balance January 1, 2012	*	Issued	Redeemed	Balance December 31, 2012	*	Due Within One Year
General Long-Term Obligations							
Debt:							
General Obligation County Bonds - (2.00% to 11.50%, issued in 1981 through 2011, maturity dates 2011 through 2039)	\$ 1,165,745		\$ 192,147	\$ 56,588	\$ 1,301,304		\$ 57,137
Sewage purpose bonds - (3.50% to 6.00%, issued in 1993 through 2009, maturity dates 2013 through 2039) - County	68,760			7,455	61,305		6,570
State Water Pollution Control Revolving Fund revenue bonds - (2.70% to 7.10%, issued in 1991 through 2005, maturity dates 2011 through 2034) - County	112,085			9,223	102,862		7,864
Total Serial Bonds - County	<u>1,346,590</u>		<u>192,147</u>	<u>73,266</u>	<u>1,465,471</u>		<u>71,571</u>
Sales Tax Secured Bonds -NIFA, various interest rates % and maturity dates	1,528,440		317,713	467,030	1,379,123		150,965
Nassau County Sewer and Storm Water Finance Authority System Revenue Bonds, Series 2004B & Series 2008A (various interest rates, 2012-2028)	154,595			7,800	146,795		7,955
Tobacco Settlement Asset-Backed Bonds, Series 2006 (various interest rates % and maturity dates)	451,788		5,318		457,106		
Total Serial Bonds - NIFA, NCSSWFA, NCTSC	<u>2,134,823</u>		<u>323,031</u>	<u>474,830</u>	<u>1,983,024</u>		<u>158,920</u>
Total Serial Bonds	<u>3,481,413</u>		<u>515,178</u>	<u>548,096</u>	<u>3,448,495</u>		<u>230,491</u>
Other:							
Derivative instruments - interest rate swaps	84,636			660	83,976		
Deferred Bond Premium/Discount (net of amortization)	103,918		47,095	39,743	111,270		
Deferred Revenue	89,503		16,460		105,963		62,381
Due to New York State Retirement System	43,558		52,161	5,804	89,915		10,359
Accrued Vacation and Sick Pay	547,199		31,272	56,613	521,858		13,135
Deferred Payroll	83,195		15,313	22,593	75,915		12,239
Estimated Liability for Workers' Compensation	288,756		21,366	25,843	284,279		26,083
Estimated Tax Certiorari Payable	222,893		83,830	9,531	297,192		174,104
Estimated Liability for Litigation & Malpractice Claims	295,000		34,189	24,189	305,000		44,714
Capital Lease Obligations	5,351			97	5,254		122
Other Liabilities	14,334			10,371	3,963		
Postemployment Retirement Benefits Liability	4,708,808		191,303		4,900,111		
Total Other	<u>6,487,151</u>		<u>492,989</u>	<u>195,444</u>	<u>6,784,696</u>		<u>343,137</u>
Total General Long-Term Obligations	<u>\$ 9,968,564</u>		<u>\$ 1,008,167</u>	<u>\$ 743,540</u>	<u>\$ 10,233,191</u>		<u>\$ 573,628</u>

* As restated, see Note 18 to the financial statements.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

Long – Term Obligations (Restated) (Continued)

The proceeds from the issuance of long-term serial bonds by the County and its blended component units are used to fund various purposes including, capital asset purchases, tax certiorari and, other suits and damages claims, termination pay disbursements and the purchase of non-capitalizable equipment. For the year-ended December 31, 2012, total serial bonds outstanding were \$3.4 billion of which \$2.7 billion were utilized to pay approximately: \$1.0 billion in tax certiorari claims; \$0.4 billion for bonded operating expenses; \$1.2 billion for the purchase of non-capitalizable equipment; and \$57 million for debt on capital assets of the NHCC and its affiliates that are no longer the County’s assets. The remaining outstanding debt of approximately \$0.7 billion is related to capitalizable assets.

Revenues from the Special Revenue Sewer Funds will be utilized to finance the debt service for the sewer and storm water purpose bonds and a portion of the State Water Pollution Control Revolving Fund revenue bonds. All other County debt service will be financed by the General Fund. For the governmental activities, claims and judgments are generally liquidated by the General Fund and compensated absences are liquidated principally by the General and Police Funds. Other postemployment retirement benefit liabilities are generally liquidated by the General, Police and Sewer and Storm Water District Funds.

The annual requirements and sources to amortize the County’s General Obligation serial bonds payable as of December 31, 2012 are as follows (dollars in thousands):

<u>Year Ending</u>	<u>Debt Service Requirements</u>			<u>Sources</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>General County Budgets</u>	<u>Sewer District Budgets</u>	<u>Total</u>
2013	\$ 71,571	\$ 69,080	\$ 140,651	\$ 118,003	\$ 22,648	\$ 140,651
2014	73,432	65,864	139,296	118,014	21,282	139,296
2015	75,899	62,784	138,683	118,933	19,750	138,683
2016	71,650	59,539	131,189	114,651	16,538	131,189
2017	73,515	56,229	129,744	114,535	15,209	129,744
2018 - 2022	400,521	234,889	635,410	564,776	70,634	635,410
2023 - 2027	343,258	138,187	481,445	443,272	38,173	481,445
2028 - 2032	210,426	69,729	280,155	261,033	19,122	280,155
2033 - 2037	131,478	21,250	152,728	144,281	8,447	152,728
2038 - 2039	13,721	961	14,682	12,690	1,992	14,682
Total	<u>\$ 1,465,471</u>	<u>\$ 778,512</u>	<u>\$ 2,243,983</u>	<u>\$ 2,010,188</u>	<u>\$ 233,795</u>	<u>\$ 2,243,983</u>

The County’s legal debt margin was approximately \$21.0 billion and total long-term obligation bonds authorized but unissued for general County and sewage district purposes were approximately \$1.1 billion at December 31, 2012. Authorized but unissued long-term obligation bonds for general County purposes include approximately \$192.8 million to finance property tax refunds. Under the current NIFA control period, all unissued County borrowings require NIFA approval. In connection with this authorization for borrowing to finance property tax refunds, the County legislature must also authorize the spending of these proceeds.

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

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

NIFA Long-Term Debt

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

	Balance January 1, 2012	Issued	Redeemed	Balance December 31, 2012	Due Within One Year	Non Current Portion
Bonds payable:						
Sales tax secured bonds payable	\$ 1,528,440	\$ 317,713	\$ 467,030	\$ 1,379,123	\$ 150,965	\$ 1,228,158
Premiums	62,769	28,251	27,704	63,316	4,473	58,843
Total bonds payable	1,591,209	345,964	494,734	1,442,439	155,438	1,287,001
OPEB liability	1,134	82	17	1,199		1,199
Compensated absences	280	11		291		291
Total long term debt	<u>\$ 1,592,623</u>	<u>\$ 346,057</u>	<u>\$ 494,751</u>	<u>\$ 1,443,929</u>	<u>\$ 155,438</u>	<u>\$ 1,288,491</u>

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

As of December 31, 2012, NIFA had outstanding sales tax secured bonds in the amount of \$1.4 billion, maturing through the year 2025, of which \$779.0 million are fixed rate and \$600 million are hedged variable rate. Other than a possible refunding of its debt if market conditions permit, NIFA has no plans or authority to issue additional bonds, except to cover the costs of issuance incurred in connection with the refunding of its bonds.

Fixed Rate Bonds — NIFA has outstanding fixed rate bonds at rates ranging between 0.688% and 5.0%. Interest on NIFA’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. Because of this monthly deposit requirement, the amount accrued for debt service (“debt service set aside”) in NIFA’s financial statements in any year will not be the same as the debt service on the bonds paid to bondholders in that year.

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

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

NIFA Long-Term Debt (Continued)

Variable Rate Bonds — Interest rates on the variable rate bonds are currently reset weekly by remarketing agents at the minimum rate necessary for the bonds to have a market value equal to the principal amount. Interest rates are set separately for each series of variable rate bonds. The variable rate bonds are in most circumstances subject to tender at the option of the bondholder. Payment of the purchase price of eligible Series 2008 A-E bonds are subject to optional or mandatory tender for purchase and if not remarketed by the remarketing agent, payment will be made under and pursuant to, and subject to the terms, conditions and provisions of liquidity facility agreements. The liquidity facility agreements currently in effect are slated to expire between April 30, 2013 and November 16, 2015 and are subject to extension or early termination. Bonds that are purchased by financial institutions under the liquidity facility and not remarketed, if any, must be paid over periods varying between three and five years. If this was to occur, annual NIFA debt service expense would increase substantially. A debt service account has been established under the indenture to provide for the payment of principal of bonds outstanding under the indenture. The Trustee makes monthly deposits to the debt service account for principal debt service requirements. Additionally, the Trustee makes monthly interest payments.

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

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

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

Refunding

During the year ended December 31, 2012, NIFA issued \$317.7 million of sales-tax secured bonds with interest rates ranging from 0.688% to 5.0%. The proceeds were used to currently refund \$8.1 million of Series 2001 A and advance refund \$314.4 million of outstanding Series 2003A, Series 2003B, Series 2004H, and Series 2005D, which had interest rates ranging from 3.5% to 5.25%. The net proceeds of \$351.3 million (including \$7.1 million of NIFA’s resources, \$28.3 million premium and after payment of \$1.8 million in underwriting and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the aforementioned bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

NIFA advance refunded the aforementioned bonds to reduce its total debt service payments by \$34.8 million and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$33.4 million.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012****10. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)*****NIFA Long-Term Debt (Continued)***

Prior year defeasance of debt. In prior years, NIFA defeased sales-tax secured bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in NIFA's financial statements. At December 31, 2012, \$318.9 million of defeased bonds remains outstanding.

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

DERIVATIVE INSTRUMENTS - SWAP AGREEMENTS

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

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

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

Background — NIFA entered into the following six swap contracts with an effective date of April 8, 2004, in connection with the issuance of \$450.0 million in auction rate securities to provide for the refunding or restructuring of a portion of the County's outstanding bonds, refunding of certain outstanding NIFA bonds, tax certiorari judgments and settlements to which the County is a party, other legal judgments and settlements, County capital projects and to pay costs of issuance. These auction rate securities were subsequently refunded on May 16, 2008 with variable rate demand bonds and the swap agreements transferred to the 2008 Bond Series A-E.

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

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012****10. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)*****NIFA Long-Term Debt (Continued)*****DERIVATIVE INSTRUMENTS - SWAP AGREEMENTS (Continued)**

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.

- \$50.0 million notional amount (2004 Series I - swap agreement) with GSMMDP
- \$50.0 million notional amount (2004 Series J - swap agreement) with UBS AG
- \$50.0 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, 2012, are reflected in the chart entitled "Derivative instruments - Interest Rate Swap Valuation" (the "Chart"). As noted in the Chart, replacement rates were lower than market interest rates on the effective date of the swaps. Consequently, as of December 31, 2012, the swaps had negative fair values. In the event there is a positive fair value, NIFA would be exposed to the credit risk of the counterparties in the amount of the swaps' fair value should the swap be terminated.

The total value of each swap, including accrued interest, is provided in the chart. The total value of each swap listed represents the theoretical value/ (cost) to NIFA if it terminated the swap as of the date indicated, assuming that a termination event occurred on that date. Negative fair values may be offset by reductions in total interest payments required under the related variable interest rate bonds. The market value is calculated at the mid-market for each of the swaps. Fair values were estimated using the zero coupon methodology. This methodology calculates the future net settlement payments under the swap agreement, assuming the current forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using rates derived from the same yield curve. As of December 31, 2012, the total market-to-market valuation of NIFA's swaps, including accrued interest, was negative \$84.0 million. In the event that both parties continue to perform their obligations under the swap, there is not a risk of termination and neither party is required to make a termination payment to the other. NIFA is not aware of any event that would lead to a termination event with respect to any of its swaps.

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

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

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

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

NIFA Long-Term Debt (Continued)

DERIVATIVE INSTRUMENTS - SWAP AGREEMENTS (Continued)

Risks Associated with the Swap Agreements (Continued)

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 \$50.0 million (threshold amount) of exposure. The threshold differs by counterparty and declines if the Authority falls into the BBB ratings category.

NIFA’s swap policy requires that counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, without distinction as to grade within the category. If after entering into an agreement the ratings of the counterparty or its guarantor or credit support party are downgraded below the described ratings by any one of the rating agencies, then the agreement is subject to termination unless the counterparty provides either a substitute guarantor or assigns the agreement, in either case, to a party meeting the rating criteria reasonably acceptable to NIFA or collateralizes its obligations in accordance with the criteria set forth in the transaction documents. The 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	50	8.4%
	<u>\$ 600</u>	<u>100.0%</u>

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

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

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

NIFA Long-Term Debt (Continued)

DERIVATIVE INSTRUMENTS - SWAP AGREEMENTS (Continued)

Risks Associated with the Swap Agreements (Continued)

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

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

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

- *Termination Risk* — The swap agreement will be terminated and if at the time of termination the fair value of the swap is negative, NIFA will be liable to the counterparty for an amount equal to the fair value.

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 \$5.0 million for NIFA, NIFA can pay such excess amount over six months, financing the delay at LIBOR, plus 1%. However, adverse termination for credit deterioration is unlikely due to the NIFA’s current credit rating. NIFA or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. In addition, NIFA may terminate the swaps at their fair market value at any time. NIFA would be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in NIFA making or receiving a termination payment. NIFA is not aware of any event that would lead to a termination event with respect to any of its swaps.

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

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

- *Market-access risk* — NIFA is not exposed to market-access risk on its hedging derivative instruments.
- *Foreign currency risk* — NIFA is not exposed to foreign currency risk on its hedging derivative instruments.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

10. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)***NIFA Long-Term Debt (Continued)*****DERIVATIVE INSTRUMENTS - SWAP AGREEMENTS (Continued)****Risks Associated with the Swap Agreements (Continued)**

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

At December 31, 2012, the aggregate fair value of all hedging derivative instrument agreements whose terms contain such collateral provisions is \$84.0 million. Because NIFA's credit rating is Aa1/AAA, no collateral has been required or posted.

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

- A3/A-
\$27.1 million in collateral to UBS AG.
- Baa1/BBB+
\$12.1 million in collateral to GSMMDP, \$37.1 million in collateral to UBS AG and \$9.7 million in collateral to MSCS.
- Baa2/BBB
\$27.1 million in collateral to GSMMDP, \$37.1 million in collateral to UBS AG and \$9.7 million in collateral to MSCS.
- Baa3/BBB-
\$37.1 million collateral to GSMMDP, \$37.1 million in collateral to UBS AG, and \$9.7 million in collateral to MSCS.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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

NIFA Long-Term Debt (Continued)

DERIVATIVE INSTRUMENTS - SWAP AGREEMENTS (Continued)

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

(Dollars in Thousands)

Swap Agreements	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2004 Series F	2004 Series G	2004 Series I	2004 Series J	2004 Series K	Total
National Amount	\$ 72,500	\$ 72,500	\$ 80,000	\$ 72,500	\$ 72,500	\$ 80,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 600,000
Counterparty	GSMMDP	GSMMDP	GSMMDP	UBS	UBS	UBS	GSMMDP	UBS	MSCS	
Counterparty Rating (1)	Aa2/AAA/NA	Aa2/AAA/NA	Aa2/AAA/NA	A2/A/A	A2/A/A	A2/A/A	Aa2/AAA/NA	A2/A/A	Baa1/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	0.919%	0.918%	0.511%	0.919%	0.918%	0.499%	1.220%	1.220%	1.220%	
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 weekly (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	
Change in Fair Value	\$ (246)	\$ (244)	\$ 1,133	\$ (246)	\$ (244)	\$ 1,126	\$ (207)	\$ (207)	\$ (207)	\$ 660
Net Accrued	\$ (289)	\$ (290)	\$ (289)	\$ (289)	\$ (290)	\$ (304)	\$ (212)	\$ (212)	\$ (212)	\$ (2,385)
Net Present Value	(10,790)	(10,794)	(4,964)	(10,790)	(10,794)	(4,965)	(9,498)	(9,498)	(9,498)	(81,591)
Total Fair Value of Swap	\$ (11,078)	\$ (11,084)	\$ (5,252)	\$ (11,078)	\$ (11,084)	\$ (5,269)	\$ (9,710)	\$ (9,710)	\$ (9,710)	\$ (83,976)

(1) Moody's/S&P/Fitch

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

NIFA Long-Term Debt (Continued)

Swap Payments and Associated Debt - Using rates as of December 31, 2012, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, is shown below. As rates change over time, variable-rate bond interest payments and net swap payments will change.

Swap payments and associated variable-rate debt is as follows (dollars in thousands):

Years Ending December 31,	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2013	\$ 31,100	\$ 702	\$ 17,009	\$ 48,811
2014	45,300	664	16,150	62,114
2015	31,725	614	15,011	47,350
2016	61,275	571	14,080	75,926
2017	57,675	495	12,457	70,627
2018 - 2022	303,825	1,251	33,321	338,397
2023 - 2025	69,100	116	3,307	72,523
Total	\$ 600,000	\$ 4,413	\$ 111,335	\$ 715,748

NCSSWFA Long-Term Debt

The NCSSWFA issued Revenue Bonds, where the NCSSWFA pledges sewer assessment and other revenue to pay debt service.

The 2008 Series A revenue bonds (the “2008A Bonds”) mature at various dates through 2028 and bear interest at rates ranging from 3.75% to 5.375%. Berkshire Hathaway Assurance Corporation has provided a financial guarantee insurance policy totaling \$120.8 million. This policy guarantees the payment of principal and interest on 2008A Bonds maturing November 1, 2014 through November 1, 2028.

The 2004 Series B revenue bonds (the “2004B Bonds”) mature at various dates through 2024 and bear an interest rate of 5.0%. MBIA Insurance Corporation has provided a financial guarantee insurance policy, which guarantees the scheduled payment of principal and interest of the 2004B Bonds.

The County has assumed responsibility for calculating arbitrage rebate liability on bonds or notes issued by the NCSSWFA, however, any resulting payments would be made by the NCSSWFA.

During the year ended December 31, 2012, the County issued \$2.1 million of Series 2012A bonds for the purpose of capital improvements to the System, the total of which was effectively transferred to the NCSSWFA.

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

NCSSWFA Long-Term Debt (Continued)

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

2004B and 2008A Bonds

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

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 7,955	\$ 7,310	\$ 15,265
2014	8,425	6,956	15,381
2015	8,545	6,607	15,152
2016	8,980	6,252	15,232
2017	9,210	5,841	15,051
2018 - 2022	52,690	21,794	74,484
2023 - 2027	42,805	8,531	51,336
2028	8,185	440	8,625
	<u>\$ 146,795</u>	<u>\$ 63,731</u>	<u>\$ 210,526</u>

Aggregate amounts due to the County for debt issued on behalf of NCSSWFA have debt service to maturity as of December 31, 2012 of the following (dollars in thousands):

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Payments to be made by NIFA</u>	<u>Cash Requirements of NCSSWFA</u>
2013	\$ 20,145	\$ 13,541	\$ 33,686	\$ (5,081)	\$ 28,605
2014	19,521	12,534	32,055	(4,856)	27,199
2015	18,377	11,640	30,017	(4,386)	25,631
2016	16,414	10,860	27,274	(5,067)	22,207
2017	15,452	10,110	25,562	(4,675)	20,887
2018 - 2022	80,386	38,811	119,197	(20,034)	99,163
2023 - 2027	51,028	20,434	71,462	(4,271)	67,191
2028 - 2032	30,722	10,599	41,321		41,321
2033 - 2037	20,561	3,371	23,932		23,932
Thereafter	2,420	185	2,605		2,605
	<u>\$ 275,026</u>	<u>\$ 132,085</u>	<u>\$ 407,111</u>	<u>\$ (48,370)</u>	<u>\$ 358,741</u>

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

10. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)**NCTSC Long-Term Debt**

In 1999, the NCTSC issued \$294.5 million of the 1999 Bonds. On April 5, 2006, NCTSC issued \$431.0 million 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 \$42.6 million the "Series 2006A-2 Senior Convertible Bonds" of \$37.9 million the "Series 2006A-3 Senior Current Interest Bonds" of \$291.5 million and the "Series 2006B-E Subordinate CABs" of \$58.9 million. 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 \$272.1 million; (ii) fund a Senior Liquidity Reserve for the Series 2006 Senior Bonds of \$24.0 million; (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. Interest paid on these bonds in 2012 totaled \$19.3 million.

Any additional revenues received above the required debt service payments are required to fund sinking fund installments and/or Turbo Redemptions. NCTSC did not receive sufficient TSRs to make the required debt service payment of \$19.3 million against its Series 2006 Bonds during 2012. NCTSC withdrew \$55 thousand from the Senior Liquidity Reserve Account to pay a portion of the interest payment on the Bonds due December 1, 2012.

Payments with respect to the Series 2006 Bonds are dependent upon the receipt of TSRs. The Series 2006 Bonds are special obligations of the NCTSC payable solely from the pledged revenues, the Senior Liquidity Reserve Account, and the other funds and accounts under the Indenture. NCTSC has no other assets available for the payment of the Series 2006 Bonds.

Failure to pay when due any interest of Senior Bonds or any Serial Maturity of Turbo Term Bond Maturity for Senior Bonds, among other things will constitute an event of default.

The amount of TSRs actually collected is dependent on many factors, including future domestic cigarette consumption, the financial capability of the Participating Manufacturers (the "PMs"), litigation affecting the MSA and related legislation, enforcement of state legislation related to the MSA and the tobacco industry. Payments by the PMs under the MSA are subject to certain adjustments, which may be material.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

NCTSC Long-Term Debt (Continued)

Bonds outstanding at December 31, 2012, are as follows (dollars in thousands):

Description	Original Date Issued	Original Amount	Interest Rate	Maturity Date	Amount Outstanding	Amount Outstanding Including Acc. Interest
2006A1	4/5/2006	\$ 42,645	6.83%	6/1/2021	\$ 31,740	\$ 31,740
2006A2	4/5/2006	37,906	5.25%	6/1/2026	37,906	44,640
2006A3(2035)	4/5/2006	97,005	5.00%	6/1/2035	97,005	97,005
2006A3(2046)	4/5/2006	194,535	5.13%	6/1/2046	194,535	194,535
2006B	4/5/2006	10,670	5.80%	6/1/2046	10,670	15,686
2006C	4/5/2006	9,867	6.00%	6/1/2046	9,867	14,698
2006D	4/5/2006	37,604	6.40%	6/1/2060	37,604	57,498
2006E	4/5/2006	802	7.35%	6/1/2060	802	1,304
					\$ 420,129	\$ 457,106

The following table summarizes NCTSC's minimum future debt service requirements as of December 31, 2012 (dollars in thousands):

Year Ending	Principal	Interest	Total Debt Service
2013	\$	\$ 19,332	\$ 19,332
2014		19,332	19,332
2015		19,332	19,332
2016		19,332	19,332
2017		19,332	19,332
2018 - 2022	31,739	93,406	125,145
2023 - 2027	37,906	89,038	126,944
2028 - 2032		74,101	74,101
2033 - 2037	97,005	61,975	158,980
2038 - 2042		49,850	49,850
2043 - 2047	215,072	226,322	441,394
2048 - 2052			
2053 - 2057			
2058 - 2060	38,407	1,141,808	1,180,215
		\$ 420,129	\$ 1,833,160
		\$ 420,129	\$ 2,253,289

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

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

Nassau Community College Long-Term Debt

Long-term liability activity for the year ended August 31, 2012 follows (dollars in thousands):

	Balance September 1, 2011	Issued	Redeemed	Balance August 31, 2012	Current Portion
General obligation bonds	\$ 38,536	\$ 4,618	\$ 940	\$ 42,214	\$ 1,005
Dormitory Authority-State of NY bonds (DASNY)	34,906	11,319	1,709	44,516	1,773
Endo note payable	890		24	866	25
Litigation liability	325		45	280	
Postemployment retirement benefits payable	317,197	17,641	9,093	325,745	
Insurance reserve liability	1,988	6		1,994	
Deposits held in custody for others	1,661	5		1,666	
Deferred bond premium	1,865		139	1,726	
Liability for future pension expense	1,334		267	1,067	
Accrued compensated absences	52,259	448		52,707	1,349
Total long-term liabilities	<u>\$ 450,961</u>	<u>\$ 34,037</u>	<u>\$ 12,217</u>	<u>\$ 472,781</u>	<u>\$ 4,152</u>

Dormitory Authority - State of New York - The College has entered into financing agreements with the Dormitory Authority - State of New York (“DASNY”) for the purpose of financing the State’s one-half share of various capital construction costs. The bonds are special obligations of DASNY, 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 DASNY. DASNY 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 DASNY under the agreement in each bond year is equal to debt service on the bonds plus certain administrative and other expenses of DASNY. 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. DASNY 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.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

Nassau Community College Long-Term Debt (Continued)

County of Nassau - The County has issued general obligation serial bonds for various College construction projects. The amount of serial bonds outstanding at August 31, 2012 is \$42.2 million and principal is scheduled to mature from 2013 to 2041. 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, 2012, principal and interest payments relating to the DASNY and General Obligation bonds are as follows (dollars in thousands):

Principal		General	Endo	
Year Ending August 31,	DASNY	Obligations	Note	Total
2013	\$ 1,773	\$ 1,005	\$ 25	\$ 2,803
2014	1,841	819	28	2,688
2015	2,575	827	30	3,432
2016	2,681	776	32	3,489
2017	2,412	816	35	3,263
2018 - 2022	14,724	4,349	224	19,297
2023 - 2027	6,331	6,476	492	13,299
2028 - 2032	5,861	14,933		20,794
2033 - 2037	4,295	11,434		15,729
2038 - 2041	2,023	779		2,802
Total	\$ 44,516	\$ 42,214	\$ 866	\$ 87,596

Interest		General	Endo	
Year Ending August 31,	DASNY	Obligations	Note	Total
2013	\$ 2,242	\$ 2,418	\$ 68	\$ 4,728
2014	2,180	2,394	66	4,640
2015	2,111	2,360	64	4,535
2016	1,997	2,323	62	4,382
2017	1,861	2,291	59	4,211
2018 - 2022	7,350	10,893	227	18,470
2023 - 2027	4,431	9,787	111	14,329
2028 - 2032	2,670	6,562		9,232
2033 - 2037	1,285	1,867		3,152
2038 - 2041	182	53		235
Total	\$ 26,309	\$ 40,948	\$ 657	\$ 67,914

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

Nassau Community College Long-Term Debt (Continued)

Interest on the DASNY and general obligation bonds range from 2.5% to 6% and from 3.0% to 5.0%, respectively. The current amortization expense for the deferred financing costs for these bonds is \$227.2 thousand.

During fiscal 2012, DASNY reallocated State of NY Personal Income Tax Bonds, Series 2003A, 2004A, 2005D, 2005F, 2006A, 2006D, 2007A, 2008B, 2009F, 2010E and 2010H between various colleges in the system, cumulative result of reallocation is a net increase in the amount allocated to the College of \$11.3 million.

In April 2012, the County issued \$196.6 million General Improvement Bonds Series A, of which \$4.9 million were earmarked for the various College construction projects. During fiscal 2012, the County reallocated various general improvement bonds between various County construction projects cumulative result of this reallocation is a net increase in the amount allocated to the College of \$134.4 thousand.

Nassau Health Care Corporation

The NHCC’s long-term debt at December 31, 2012 consisted of the following (dollars in thousands):

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%	\$ 4,997
2009 Series A bonds payable at varying dates through August 1, 2022; variable rate demand bonds bearing interest at taxable variable rates with an average of approximately 4.86% in 2012	25,995
2009 Series B, C and D bonds payable at varying dates through August 1, 2029; variable rate demand bonds bearing interest at tax-exempt variable rates with an average of approximately 3.71% in 2012	220,840
	251,832
Deferred loss on refunding	(22,396)
Net unamortized bond premium	65
Current portion	(4,360)
Total long term debt	\$ 225,141

In October 2004, the Series 2004 A, B and C Bonds were issued to refund the NHCC’s Series 1999 Revenue Bonds, finance capital projects and pay the costs of issuance, including the required premium of the Bond Insurer. The transaction resulted in the NHCC receiving approximately \$41.0 million of cash, of which \$26.0 million was available for working capital and \$15.0 million for new capital project financing.

In April 2009, Series 2009 A (taxable), B, C and D bonds were issued as variable rate demand bonds (“VRDBs”) secured by letters of credit (“LOCs”) to redeem the 2004 Series A and 2004 Series C outstanding bank term bonds. The LOCs were scheduled to expire in May 2012 and were extended with expiration dates for the various series of bonds ranging from February 2015 to April 2015. If the NHCC draws on the LOCs to purchase the Series 2009 bonds, the VRDBs will convert to bank term bonds and repayment will commence no earlier than 270 days from the drawing date. Principal amounts related to the Series 2009 A bonds mature annually each August 1, beginning in fiscal 2013 through fiscal 2022. Principal amounts related to the Series 2009 B, C, and D bonds mature annually each August 1, beginning in fiscal 2015 through fiscal 2029. The interest rates under the VRDBs are determined on a periodic basis (weekly or quarterly depending on the series of bonds) through a remarketing process.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

NHCC Long-Term Debt (Continued)

The County guarantees to the Trustee and the owners of Series 2009 Bonds the full and prompt payment of the principal and interest of the Series 2004 and Series 2009 Bonds. The County guaranty may be amended without consent of the bond owners.

In connection with the issuance of the Series 2004 and 2009 Bonds, the NHCC incurred a loss of approximately \$38.0 million and \$3.7 million, respectively. 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 sheets. The total deferred loss to be amortized has not been adjusted for the prepayment in 2008 of a portion of outstanding debt and the issuance of the Series 2009 Bonds; however, future amortization of the deferred loss was so adjusted. Amortization of the deferred loss is \$2.3 million for the year ended December 31, 2012. Pursuant to the Stabilization Agreement and, subsequently, the Successor Agreement, the County deposits subsidies, payable to the NHCC monthly, in an escrow account reserved for payment of the Series 2009 Bonds.

In connection with the issuance of the Series 2004 Bonds, the NHCC entered into interest rate swap agreements with commercial banks to effectively convert interest payments on the variable interest rate Series C Bonds to a fixed interest rate based on a total initial notional amount of \$220.0 million that declines as debt is repaid. The fixed interest rate paid by the NHCC under the swap agreements is 3.46% and the variable rate received is based on LIBOR. Subsequent to the redemption of the Series 2004 C Bonds through the issuance of the Series 2009 Bonds, the swap agreements remain in place for the Series 2009 bonds and expire on August 1, 2029.

The NHCC also entered into a cancelable swap agreement with a commercial bank to effectively convert interest payments on the variable interest rate for the Series 2004 A Bonds to a fixed interest rate based on an initial notional amount of \$65.0 million that declines as debt is repaid. The fixed interest rate paid by the NHCC under the swap agreement is 4.61% and the variable rate received is based on LIBOR. Subsequent to the redemption of the Series 2004 A Bonds through the issuance of the Series 2009 Bonds, the swap agreement for the Series 2009 bonds expired 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 \$43.5 million at December 31, 2012.

Principal payments on long-term debt are due annually on August 1st. Interest payments are due semiannually on February 1 and August 1. Estimated interest is based on the original amortization schedules. Payments applicable to long-term debt for years subsequent to December 31, 2012 are as follows (dollars in thousands):

	<u>Principal</u>	<u>Estimated Interest</u>
2013	\$ 4,360	\$ 9,700
2014	4,522	9,484
2015	13,005	9,261
2016	13,545	8,754
2017	14,115	8,226
2018 - 2022	80,185	32,370
2023 - 2027	85,075	16,479
2028 - 2031	37,025	2,067
	<u>\$ 251,832</u>	<u>\$ 96,341</u>

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

NHCC Long-Term Debt (Continued)

In February 2012, the Corporation issued \$40.0 million of taxable 2012 Revenue Anticipation Notes that were due in December 2012 and secured by scheduled IGT payments. The 2012 RANs were repaid in full in December 2012.

OTB Long-Term Debt

In June 2005, OTB issued \$21.8 million in Series 2005 Revenue Bonds. The sources of the funds included \$21.8 million in principal, \$33 thousand original issue discount, and OTB’s equity contribution of \$0.1 million, to total \$21.9 million. The proceeds were used as follows: \$12.3 million to redeem prior notes that were used to finance the acquisition and rehabilitation of the Race Palace, \$0.5 million to pay issuance costs, \$6.8 million for various ongoing and future capital projects, and \$2.3 million to deposit to a debt service reserve fund. The Series 2005 Revenue Bonds are general obligations of OTB and are secured by a pledge directly by the County pursuant to a support agreement that is described in the following paragraph. Rates on this obligation range from 3.4% to 4.0%.

Under the support agreement with the County, OTB is obligated to deposit required debt service payments due into a capital reserve fund. This transfer of funds must occur no later than 15 days prior to the due date of such payment. In addition, as consideration for entering into this support agreement and in recognition of the benefits anticipated to be derived, OTB is currently required to pay the County \$620 thousand on each February 15th until the Series 2005 Revenue Bonds are paid in full. OTB paid the County \$620 thousand in 2012.

Mortgage and bond payable at December 31, 2012, consisted of the following (dollars in thousands):

Mortgage note – payable in 120 monthly installments of \$5.5 thousand including interest at 6.2%. A final payment is due on February 1, 2013. The mortgage is secured by the underlying real property.	\$ 11
Bond payable - due in 15 annual installments of \$1.455 million plus semi-annual interest payments ranging from 3.4% to 4.0%. A final payment is due on July 1, 2020. The bond is secured by the underlying real property with a net book value of \$10,750.	11,625
	<u>\$ 11,636</u>

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

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

OTB Long-Term Debt (Continued)

Future minimum payments on the mortgage and bond payable including interest are as follows (dollars in thousands):

	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,466	\$ 452
2014	1,455	398
2015	1,455	343
2016	1,455	289
2017	1,455	232
2018 - 2020	4,350	348
	<u>\$ 11,636</u>	<u>\$ 2,062</u>

Nassau County Bridge Authority

A summary of changes in long-term debt for the Bridge Authority is as follows (dollars in thousands):

	<u>Balance January 1, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance December 31, 2012</u>	<u>Due Within One Year</u>
Bonds payable	\$ 10,510	\$	\$ 200	\$ 10,310	\$ 205

In April 2010, The Nassau Bridge Authority issued \$11.1 million in Series 2010 Bonds, fixed rate bonds with level debt service and a final maturity of 2040. Proceeds of the Series 2010 Bonds, together with an equity contribution in the amount of \$1.6 million was issued to: a) finance the costs of certain structural, mechanical and electrical improvements to the Atlantic Beach Bridge, b) fund a debt service reserve fund, and c) pay the costs of issuance. As part of the plan of finance, the Bridge Authority defeased its outstanding Series 1997A and 1997B bonds with a combination of cash and restricted funds. The 2010 Bonds are special obligations of the Bridge Authority and secured by a pledge of toll revenues. As additional security for the bondholders, the Bridge Authority has covenanted that it will establish tolls in order to produce revenues in each fiscal year in an amount not less than 100% of maximum annual debt service (MADS). The Bridge Authority has further covenanted that on each June 30th and December 31st, the Bridge Authority shall maintain cash and unrestricted investments in the amount of at least \$2.0 million. If the cash and unrestricted investments on any June 30th and December 31st is below \$2.0 million the Bridge Authority will establish tolls in order to produce net revenues in such fiscal year, in an amount not less than 115% of the MADS. The Bridge Authority has also covenanted that this will not affect any reductions in toll rates for any motor vehicles which will reduce the total gross revenues for any fiscal year by more than five percent (5%) of the prior fiscal year.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

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

Nassau County Bridge Authority (Continued)

The Bond Resolution permits the issuance of additional bonds on parity with the Series 2010 Bonds for the purpose of (a) raising funds to pay any part of the cost of completing the project or the costs of another project, (b) refunding any outstanding bonds, or (c) any combination of these purposes. Written certificates of both the consulting engineer and the accountant, among other things, must be obtained for the issuance of additional bonds for any purpose other than the refunding of bonds.

The Bridge Authority is obligated to pay principal and interest on the Series 2010 bonds as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2013	\$ 205	\$ 467	\$ 672
2014	210	460	670
2015	220	454	674
2016	225	448	673
2017	230	441	671
Thereafter	<u>9,220</u>	<u>6,243</u>	<u>15,463</u>
	<u>\$ 10,310</u>	<u>\$ 8,513</u>	<u>\$ 18,823</u>

The series 1997 bonds were authorized and issued pursuant to the Nassau County Bridge Authority Act, and a bond resolution adopted by the Bridge Authority on June 19, 1990 as supplement, by supplemental resolutions adopted by the Bridge Authority on August 5, 1997 (collectively, the “Resolution” or the “Bond Resolution”).

The Series 1997 A Bonds were issued to:

- (1) refund the Bridge Authority’s outstanding bonds
- (2) pay to costs of issuance of the 1997 A Bonds.

The Series B Bonds were issued to:

- (1) finance the cost of certain improvements to certain facilities of the Bridge Authority and related fees
- (2) fund a debt service reserve fund
- (3) fund a portion of the maintenance reserve fund
- (4) pay the costs of issuance of the 1997 B Bonds

The Series 1997 B Bonds constituted special obligations of the Bridge Authority and were payable from and secured by the pledge of funds and accounts held by the trustee and the Bridge Authority under the Bond Resolution (except for the rebate fund) and by a pledge of the gross revenues for payment of the 1997 bonds is subject and subordinate to the prior right of the Bridge Authority to apply gross revenues to pay the expenses of operating and maintaining the facilities as provided in the bond resolution.

The Bridge Authority has no taxing power. Neither the members of the Bridge Authority nor any person executing the Series 1997 bonds nor any other bonds of the Bridge Authority were personally liable thereon by reason of issuance thereof.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

11. REFINANCING OF LONG-TERM OBLIGATIONS

Prior to December 31, 2012, 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, 2012, approximately \$6.6 million of outstanding bonds (including NIFA) are considered defeased.

12. PENSION PLANS (RESTATED)***Plan Description***

The County and the College participate 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, collectively known as NYSLRS. These are cost-sharing multiple-employer defined benefit retirement plans. The NYSLRS provides retirement benefits as well as death and disability benefits to members. Obligations of employers and employees to contribute and benefits to employees are governed by New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York ("State Comptroller") serves as sole trustee and administrative head of the NYSLRS. The State Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of its funds. The NYSLRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policy

The NYSLRS are noncontributory for those ERS members who joined the New York State and Local Employees' Retirement System prior to July 27, 1976 and for those PFRS members in Tiers 1 through 4. ERS employees who joined the NYSLRS after that date must contribute 3% of their salary, however, NYS legislation passed in 2000, suspending the 3% contribution for those employees who have 10 or more years of credited service. In addition, members who meet certain eligibility requirements 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. In December 2009, the Governor signed a bill requiring ERS and PFRS members hired January 2010 and later to contribute 3% of their salary for all their years of public service, increasing the numbers of years required to vest for retirement benefits from 5 to 10 years, and placing a limitation on the annual amount of overtime credited as retirement earnings. Employees who joined the system on or after April 1, 2012 are required to contribute between 3% and 6% depending upon their salary for their entire career. As of December 31, 2012, the County did not have any PFRS employees who were Tier 5 or Tier 6 members.

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

12. PENSION PLANS (RESTATED) (Continued)

Funding Policy (Continued)

The Common Retirement Fund (“Fund”) was established to hold all the assets and income of the NYSLRS in a single unified investment program. The overall methodology for ensuring that the Fund maintains adequate assets is determined by the NYSRSSL. The Fund’s assets come from three main sources: employee or member contributions, investment income and participating employer contribution. The value of the Fund and the rate of return on the investments directly affect the employer’s annual contribution rates. Each year, the State evaluates the Fund’s assets and compares the value of those assets to the funds needed to pay current and future benefits. The difference between these two amounts is spread over the future working lifetimes of active members to actuarially determine the annual contribution rates. Under the authority of the NYSRSSL, the State Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the NYSLRS’ fiscal year ending March 31. The College’s employees who are ERS members are included in the County’s records with the NYSRSSL. The State calculates the County’s (including the College) required annual contribution payment using these contribution rates and the projected retirement earnings of the County’s (and the College’s) current employees. The College reimburses the County annually for its share of the pension costs attributed to its employees who are ERS members.

The County is required to contribute at an actuarially determined rate. The actual contributions were equal to 100% of the actuarially required amounts for the plan year ended March 31, using the maximum amortization allowed by law, and also included additional contributions to fund various early retirement incentives made available to County employees and prior service credits. The credits and miscellaneous adjustments represent modifications made by the NYSERS for prior years’ contributions due to differences between estimated and actual salaries for the plan year. The required contributions for the current plan year ended March 31 and two preceding plan years, expense amortized and the amounts actually contributed to the cost-sharing multiple-employer defined benefit retirement plan for the County’s ERS and PFRS members, and the College’s ERS members, were as follows (in thousands of dollars):

Employees Retirement System								
	Annual Required Contribution	Credit & Miscellaneous Adjustments	Prepayment Discount	Amortization/ Deferral	2010 Incentive Installment	2010 Past Service Credit 553B	Total Payment	
2012	\$ 79,591	\$ (2,998)	\$ (726)	\$ (23,977)	4,240	69	\$ 56,199	
2011	62,977	(5,281)	(553)			69	57,212	
2010	42,687	(50)	(408)				42,229	

Police and Fire Retirement System					
	Annual Required Contribution	Credit & Miscellaneous Adjustments	Prepayment Discount	Amortization/ Deferral	Total Payment
2012	\$ 75,838	\$ 4,944	\$ (730)	\$ (14,808)	\$ 65,244
2011	60,665	(4,318)	(540)		55,807
2010	54,238	(1,683)	(503)		52,052

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

12. PENSION PLANS (RESTATED) (Continued)

Funding Policy (Continued)

Pursuant to Chapter 57 of the Laws of 2010, the New York State Legislature authorized local governments to elect to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations.

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the NYSLRS's average rate and the previous graded rate.
- For subsequent State fiscal years in which the NYSLRS's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the NYSLRS's fiscal years when the County opted to participate in the program. Because the County's fiscal year differs from the NYSLRS's fiscal year, the County's liability for the unpaid amounts and the annual expense for the amortization of that liability will differ in the County's financial statements to the amounts reported in the previously presented tables. The total unpaid pension amortization liability reported in the Primary Government's Statement of Net Position at the end of the fiscal year was \$77.8 million, of which \$1.5 million was attributable to College ERS members. Amortization contributions will be paid in ten equal installments, one per year, but may be prepaid at any time. The County has elected, for now, to amortize over the ten-year period. The interest rate will be established annually for each year's amortization and paid out of current resources in that year. Future principal and interest payments to maturity for the amortization installments for the County (including the College) are as follows:

2012 Chapter 57, Laws of 2010

ERS and PFRS

(in thousands of dollars)

	Principal	Interest	Total Principal and Interest
For years ending December 31, 2013	\$ 3,356	\$ 1,366	\$ 4,722
2014	3,482	1,240	4,722
2015	3,613	1,109	4,722
2016	3,748	974	4,722
2017	3,889	833	4,722
2018-2021	<u>18,340</u>	<u>1,869</u>	<u>20,209</u>
Totals	<u>\$ 36,428</u>	<u>\$ 7,391</u>	<u>\$ 43,819</u>

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

12. PENSION PLANS (RESTATED) (Continued)

Funding Policy (Continued)

2013 Chapter 57, Laws of 2010
 ERS and PFRS
 (in thousands of dollars)

	Principal	Interest	Total Principal and Interest
For years ending December 31, 2013	\$ 3,608	\$ 1,239	\$ 4,847
2014	3,714	1,133	4,847
2015	3,826	1,021	4,847
2016	3,941	906	4,847
2017	4,059	788	4,847
2018-2022	22,197	2,038	24,235
Totals	<u>\$ 41,345</u>	<u>\$ 7,125</u>	<u>\$ 48,470</u>

Chapter 105 of the Laws of 2010 of the State of New York authorized the County to make available a retirement benefit incentive program with an estimated total cost of \$18.4 million, approximately \$16.5 million attributed to County members and \$1.9 million for College members. The cost of the program is billed over five years at an interest rate of 7.5% and paid by the funds incurring the costs beginning in 2012. Remaining future principal and interest payments to maturity, to be paid out of future resources, are as follows (in thousands of dollars):

2010 Chapter 105, Laws of 2010
 Early Retirement Incentive -
 includes College
 (in thousands of dollars)

	Principal	Interest	Total Principal and Interest
For years ending December 31, 2013	\$ 3,359	\$ 880	\$ 4,239
2014	3,611	628	4,239
2015	3,881	358	4,239
2016	887	66	953
Totals	<u>\$ 11,738</u>	<u>\$ 1,932</u>	<u>\$ 13,670</u>

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

12. PENSION PLANS (RESTATED) (Continued)

Funding Policy (Continued)

In addition to the amortizations above, the County is amortizing 2010 prior service credits for ERS members of \$0.5 million over ten years, beginning in 2011 at an interest rate of 8%. The total unpaid liability reported in the Primary Government's Statement of Net Position at the end of the fiscal year was \$0.4 million, and \$69.0 thousand (including interest) was charged to the Primary Government's governmental funds in the current fiscal year. Future principal and interest payments to maturity for the remaining installments to be paid out of current resources are as follows:

Prior Service Credits 553B

(in thousands of dollars)

	Principal	Interest	Total Principal and Interest
For years ending December 31, 2013	\$ 36	\$ 33	\$ 69
2014	39	30	69
2015	43	26	69
2016	46	23	69
2017	50	19	69
2018-2020	190	34	224
Totals	\$ 404	\$ 165	\$ 569

13. RECONCILIATION OF GAAP FUND BALANCES TO BUDGETARY BASIS (RESTATED)

The following reconciles fund balances at December 31, 2012 as prepared on a GAAP basis to the budgetary basis of reporting (dollars in thousands):

	General*	Police District Fund*	Sewer & Storm Water District Fund*	Capital Fund	Nonmajor Governmental Funds*
Fund Balances at December 31, 2012, Prepared in accordance with GAAP	\$ 27,977	\$ (913)	\$ 82,482	\$ 141,102	\$ 75,814
Add:					
Funding for Tax Certiorari and Other Judgments	34,714				
Funding for Termination Pay	30,331	1,907	674		
Pension Benefits - Modified Accrual Basis Only	64,069	30,125	1,659		
Sale of Mitchel Field Leases	37,062				
Less:					
Encumbrances	(72,084)	(543)	(12,656)		
Payments for Tax Certiorari and Other Judgments	(34,714)				
Payments for Termination Pay	(30,331)	(1,907)	(674)		
Sale of Mitchel Field Leases	(916)				
Unbudgeted Sewer and Storm Water District Fund					
Unbudgeted FEMA Fund					(63)
Unbudgeted Grant Fund					(13,598)
Unbudgeted NCTSC General Fund					(266)
Unbudgeted Capital Project Fund				(141,102)	
Unbudgeted NCTSC Debt Service Fund					(23,344)
Unbudgeted SFA General Fund					(6,287)
Unbudgeted NIFA Debt Service Fund					(15,105)
Fund Balances at December 31, 2012, Prepared on the Budgetary Basis of Reporting	<u>\$ 56,108</u>	<u>\$ 28,669</u>	<u>\$ 71,485</u>	<u>\$</u>	<u>\$ 17,151</u>

* As restated, see Note 18 to the financial statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

14. FUND BALANCES (RESTATED)

Fund Balance classifications for the governmental funds at December 31, 2012 were (dollars in thousands):

FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars to Thousands)

	General	NIFA General Fund	Police District Fund	Sewer & Storm Water Fund	Capital Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Prepaid expenditures	\$ 37,218	\$ 57	\$ 10,042	\$ 552	\$	\$ 710	\$ 48,579
Spendable:							
Restricted for:							
Capital projects					7,091		7,091
Debt service		16,916				38,449	55,365
Open space	933						933
Legislative						106	106
Judicial						6,042	6,042
General Administration						1,008	1,008
Protection of Persons						5,175	5,175
Health						183	183
Public Works						138	138
Recreation and Parks						8	8
Sewage						119	119
Social Services						175	175
Corrections						15	15
Total Restricted	933	16,916			7,091	51,418	76,358
Committed to:							
Capital projects					134,011		134,011
Environmental Protection						17,151	17,151
Total Committed					134,011	17,151	151,162
Assigned to:							
Health							
Public Works				81,930			81,930
Total Assigned				81,930			81,930
Unassigned	(10,174)	639	(10,955)			6,535	(13,955)
Total Fund Balance	\$ 27,977	\$ 17,612	\$ (913)	\$ 82,482	\$ 141,102	\$ 75,814	\$ 344,074

15. 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.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

15. OTHER POSTEMPLOYMENT BENEFITS (Continued)**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 hired 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 premiums apply. The total cost for providing health care benefits was \$275.6 million in 2012, of which approximately \$148.6 million was for retirees and approximately \$127.0 million was for active employees and other eligible individuals. In 2012, the subsidy provided by the Medicare Reform Act of 2003 to employers who continued prescription drug coverage for its Medicare eligible retirees of \$7.5 million 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
- 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 is approximately \$4.8 billion as of December 31, 2012 which included both the County and an allocation of the Nassau Health Care Corporation's cost as of December 31, 2012. 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, 2012, the County paid \$148.6 million on behalf of the Plan, exclusive of component units.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

15. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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 of 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.

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, 2012 (dollars in thousands):

Calculation of ARC and Annual OPEB Cost

	Nassau County	Nassau County Industrial Development Agency	*Nassau Community College	**Nassau Health Care Corporation	Nassau County Bridge Authority	National Regional Off-Track Betting Corp.	Nassau County Interim Finance Authority	Total
Amortization of UAAL	\$ 4,803,521	\$ 8	\$ 317,197	\$ 12,756	N/A***	\$ 42,989	\$ 1,134	
Service Cost at the Beginning of year	138,950	90	10,691	25,476	N/A***	1,207	57	
Interest	105,028	4	6,950	812	N/A***	26	25	
Annual Required Contribution	5,047,499	102	334,838	39,044	678	44,222	1,216	
Interest on net OPEB Obligations	200,076	4	13,481	9,092	55	1,789	48	
Adjustment to ARC	(4,907,750)	(4)	(330,678)	(8,239)	(49)	(43,884)	(1,182)	
Total Annual OPEB cost	339,825	102	17,641	39,897	684	2,127	82	
Actual Contributions	148,587		9,093	6,288	234	1,430	17	
Increase in net OPEB obligation	191,238	102	8,548	33,609	450	697	65	
Net OPEB Obligation 2011	4,707,674	88	317,197	213,930	1,375	42,095	1,134	
Net OPEB Obligation 2012	\$ 4,898,912	\$ 190	\$ 325,745	\$ 247,539	\$ 1,825	\$ 42,792	\$ 1,199	\$ 5,518,202

* Nassau Community College data as of fiscal year ended August 31, 2012

** Nassau Health Care Corporation uses a 30 year basis for amortization

***Components of the annual required contribution are not available

As of December 31, 2012, the County’s actuarial accrued liability was approximately \$4.8 billion and the 2012 payroll cost (i.e. covered payroll) was \$906.8 million or 529.7% 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 years ended December 31, 2012, 2011 and 2010, were as follows (dollars in thousands):

Fiscal Year Ended	Annual OPEB Cost	Actual Annual OPEB Cost Paid	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/12	\$ 339,825	\$ 148,587	43.7%	\$ 4,898,912
12/31/11	996,281	143,690	14.4%	4,707,674
12/31/10	353,539	112,521	31.8%	3,855,083

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

15. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

The OPEB-specific actuarial assumptions used (which is required at least biennially) in the January 1, 2011, and projected for the January 1, 2012 OPEB actuarial valuations are as follows:

Valuation date:	January 1, 2011
Actuarial cost method:	Projected Unit Credit Method
Discount rate:	4.25% per annum

Plan sponsors are allowed to utilize the results of an actuarial valuation for multiple years if no significant changes have occurred since the prior valuation was performed. Accordingly, the County’s OPEB valuation for the year ending December 31, 2012 is based on the employee data, plan provisions, methods and assumptions described in the actuarial valuation for the year ended December 31, 2011 with the exception of an adjustment to reflect an increase in the NYSHIP premiums as of January 1, 2012.

Healthcare Inflation Rate – The healthcare trend assumption is based on the Society of Actuaries-Getzen Model version 11.1 utilizing the baseline assumptions included in the model for medical and pharmacy benefits. Further adjustments are made for aging, percentage of costs associated with administrative expenses, trend on administrative costs and potential excise taxes due to healthcare reform. Short-term trends reflect current conditions and are graded into the long-term trend that takes into account a variety of factors such as medical cost increases, changes in utilization of healthcare services, and technological advances.

Medicare Part B reimbursements were assumed to have a separate annual trend of 5.5%. Vision benefit costs are limited by contract and no trend was applied. For medical benefits, actual 2012 Empire premiums were used.

Health Care Cost Trend Rate (“HCCTR”) - Covered medical expenses are assumed to increase by the following percentages:

HCCTR Assumptions:

Fiscal Year	Prior to Medicare Eligibility	After Medicare Eligibility
2012	7.8 %	7.8 %
2013	8.3	8.3
2014	6.8	6.8
2015	6.6	6.6
2016	6.4	6.4
2021	5.9	5.9
2026	6.0	5.8
2031	6.8	6.1
2036	6.3	6.4
2041	5.9	6.0
2046	5.6	5.7
2095	4.4	4.5

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

15. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

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.

Monthly premium rates for the projected January 1, 2012 valuation are shown in the following table:

Pre-65 Non Medicare		
Single	\$	712.75
Family		1,562.80
Post-65 Medicare		
Single		419.24
Family – 1 Medprime		1,269.28
Family – 2 Medprime		975.77
Medicare (Part B) – per person		99.90

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.

Mortality - Mortality rates are those recommended by the actuary:

Preretirement

RP2000 Employee Mortality Table for Males and Females. Rates are projected for mortality improvement on a generational basis using Scale AA.

Postretirement

RP2000 Healthy Annuitant Mortality Table for Males and Females. Rates are projected for mortality improvement on a generational basis using Scale AA.

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.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

15. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

The schedule of funding progress presents the results of OPEB valuations as of January 1, 2012, 2011 and 2010 for the fiscal year ending December 31, 2012. 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):

1/1/12	\$	0	\$	4,803,521	\$	4,803,521	0.0%	\$	906,847	529.7%
1/1/11		0		4,618,696		4,618,696	0.0%		880,434	524.6%
1/1/10		0		3,854,422		3,854,422	0.0%		857,856	449.3%

* Based on the Projected Unit Credit Actuarial Cost Method.

16. 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 property insurance on its police helicopters and selected leased facilities, a blanket fidelity bond covering all County employees and the following coverage for the summer recreation program: accident insurance, umbrella liability and general liability. Essentially all other risks are assumed directly by the County. All malpractice occurrences prior to September 29, 1999 are the responsibility of the County of which there are no active cases. Subsequent malpractice occurrences arising from events in connection with NHCC are the responsibility of NHCC.

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 \$305.0 million for claims and litigation (excluding tax certiorari claims) have been recorded as a liability in the government-wide financial Statement of Net Position as of December 31, 2012. Approximately \$284.3 million has been accrued as a liability at December 31, 2012, related to workers' compensation claims where the County Attorney can reasonably estimate the ultimate outcome. The liability for certain other asserted and unasserted malpractice claims cannot be estimated as of December 31, 2012.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

16. CONTINGENCIES AND COMMITMENTS (Continued)**B. Tax Certioraris**

In fiscal 2012, there were approximately 130,808 taxpayers' claims (residential and commercial) filed against the Board of Assessors, for the incorrect determination of assessed valuation (certiorari proceedings) for the 2012 (May 1, 2013) assessment roll. The total amount of tax certiorari bonds issued and outstanding by both the County and NIFA was approximately \$1.0 billion at December 31, 2012. This amount has been included with serial bonds reported in the government-wide financial Statement of Net Position. An amount estimated for future settlements and judgments of \$297.2 million has also been recorded as a long-term liability in the government-wide financial statement of Net Position at December 31, 2012. Additional accrued liabilities for tax certioraris of \$38.0 million have been recorded to reflect as current liabilities in the government-wide Statement of Net Position.

For the year-ended December 31, 2012, tax certiorari expenditures recorded in the governmental funds were \$10.1 million comprised of, \$8.1 million reversal of the prior year's expense accrual, \$3.0 million financed by the operating funds in addition to the \$14.7 million of borrowed funds.

In an order dated December 27, 2012, Nassau Supreme Court Justice Adams directed that the County shall satisfy certain property tax refund judgments in 2013 (*i.e.*, not in 2012), and prohibited such petitioners from commencing any collection proceedings prior to January 15, 2013. In making the order, the Court found, among other things, that the County and the other parties reserve all of their rights, remedies and defenses to any action to compel payment of the judgments by commencing legal proceedings for collection. The total tax certiorari judgments affected by the order totaled \$88.0 million and resulted in the deferral of this tax certiorari expense to 2013. \$8.1 million of those judgments had already been included in the 2011 expense accrual and were reversed in the governmental funds in 2012 due to the judge's order because they became due and payable in 2013. However, the \$88.0 million of tax certiorari liabilities are included in the current portion of long term liabilities on the statement of net position.

C. Contingencies under Grant Programs

The County participates in a number of Federal and State grant programs some of which are funded under the American Recovery and Reinvestment Act ("ARRA"). These programs are subject to financial and compliance audits by the grantors or their representatives.

Provisions for certain expected disallowances, where considered necessary, have been made as of December 31, 2012. 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.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

16. CONTINGENCIES AND COMMITMENTS (Continued)**E. Insurance**

The County carries property insurance on its police helicopters, a blanket fidelity bond covering all County employees and the following coverage for the summer recreation program: accident insurance, umbrella liability and general liability. Essentially all other risks are assumed directly by the County.

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 \$521.6 million exclusive of blended components units at December 31, 2012. At August 31, 2012, the College's vacation leave and sick leave liability was \$52.7 million.

G. Deferred Payroll

In 2009, the County entered into agreements with the Civil Service Employees' Association ("CSEA"), the Police Benevolent Association, ("PBA"), Superior Officers Association, ("SOA"), Detective Association, Inc. ("DAI"), and the Sheriff Officers Association, Inc ("ShOA") 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 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. In 2011, these deferred wages began to be paid to the employee and additional payments are scheduled to be paid through 2015 depending on the bargaining unit, or at termination at the rate earned. The amount deferred at December 31, 2012 was approximately \$75.9 million. The non-current component of this deferral is reported as a long-term liability in the government-wide Statement of Net Position, 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 originally to be paid to eligible employees on September 1, 2002, but continues to be deferred in accordance with their current contractual agreement. The amount deferred at the College's fiscal year close of August 31, 2012 was approximately \$0.9 million and is also reported in the government-wide Statement of Net Position. 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, 2012 was approximately \$20.5 million, and is also reported in the government-wide Statement of Net Position.

H. Capital Commitments

At December 31, 2012, there were capital project contract commitments of \$190.3 million.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

16. CONTINGENCIES AND COMMITMENTS (Continued)

I. Material Encumbrances

Material encumbrances (greater than \$5 million) as of the year ended December 31, 2012 were as follows (dollars in thousands):

General Fund

Pre-School/Special Education contracts with the Health Department	\$	13,613
Early Intervention contracts with the Health Department		6,985

Capital Fund

Construction:

Protection of Persons	13,115
Public Works	6,991
Roads	7,978

NHCC contracts	8,034
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There were no material encumbrances as of December 31, 2012 in the non-major funds.

17. NASSAU HEALTH CARE CORPORATION (“NHCC”)

Effective September 29, 1999, 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.

At December 31, 2012, the NHCC had total net position deficiency of \$354 million. The deficiency arose from operating losses and postemployment benefits other than pension liability. NHCC is continuously striving to improve its net position by returning to profitability before other operating items, by continuing to progress with collecting on patient accounts, and through cash flows provided by government subsidies and funding of capital projects. NHCC has undertaken a number of initiatives to return to positive cash flows. Such actions include continued revenue cycle enhancements, renegotiation of all commercial managed care contracts, changes to medical management practices, improved supply chain, inventory management and, further cost reductions from the major modernization program undertaken over the past several years. The modernization program included significant investments in real estate consolidation, facility improvements, clinical equipment and information technology, 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 Successor Agreement also provided NHCC with capital funding.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

18. RESTATEMENT AND PRIOR PERIOD ADJUSTMENTS

Restatement

Subsequent to the issuance of the County’s 2012 financial statements, management determined that there were two errors relating to the County’s accounting for its pension plans on a governmental fund and government-wide reporting basis. The accompanying 2012 financial statements have been restated to correct these errors. The nature and effects of the errors and resulting corrections are described in the following paragraphs.

Governmental Fund Statements:

The County’s prepaid assets balance was overstated for the portion of the bill owed to the New York State Retirement Systems (“Retirement Systems”) which is paid in December each year. 100% of that payment was recorded as prepaid but, because the bill relates to the period from April 1st to March 31st, 75% of the amount should have been expensed and only 25% recorded as a prepaid. While the County prepaid 100% of the retirement bill on a budgetary basis, this prepaid asset balance on a GAAP basis should be 25% of the amount paid each December in the fund-level financial statements. As a result, as of December 31, 2012, the County’s prepaid assets and accrued liabilities were overstated by \$97.9 million and \$10.6 million, respectively. There was also a corresponding understatement of the cumulative pension expense as reported in the governmental fund statements in each of the County’s CAFRs since 2006. The cumulative effect of the pension expense understatement through December 31, 2012 is \$87.3 million. The beginning governmental fund balance was overstated by \$82.3 million and the net change in fund balance was overstated by \$5.0 million. The net effect to ending fund balance as of December 31, 2012 as a result of these adjustments is a decrease of \$87.3 million. This affects the governmental fund statements and the government-wide statements for the primary government.

The effect to the 2012 governmental fund financial statements is summarized below:

(in thousands of dollars)

	Total Governmental Funds		
	As originally reported	Restatement	As Restated
Governmental Funds			
Total Fund Balance at Beginning of Year (as of 1/1/12)	\$ 433,802	\$ (82,324) *	\$ 351,478
Prepaid Assets	146,448	(97,926)	48,522
Accrued Liabilities	209,217	(10,585)	198,632
Fund Balances: Nonspendable	146,505	(97,926)	48,579
Fund Balances: Restricted	75,922	436	76,358
Fund Balances: Assigned	81,591	339	81,930
Fund Balances: Unassigned	(23,765)	9,810	(13,955)
Net Change in Fund Balance	(2,387)	(5,017)	(7,404)
Total Fund Balance at End of Year (as of 12/31/12)	431,415	(87,341)	344,074

* See prior period adjustment note on page number 115

NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2012

18. RESTATEMENT AND PRIOR PERIOD ADJUSTMENTS (Continued)

Restatement (Continued)

Government-wide Statements:

In addition to the error related to accounting for Retirement Systems payments described above, there was also an error in the calculation of the government-wide current and non-current liabilities for the amortization of pension expense, employee retirement incentives, and prior service costs (collectively referred to as the “amortization”) due to the Retirement Systems for 2011 and 2012. Consequently, the cumulative pension expense, as it relates to this error and as reported on the 2012 government-wide financial statements, was understated in the amount of \$87.3 million (\$42.1 million through December 2011 and \$45.2 million in 2012), and the Due to New York State Retirement Systems was understated by \$89.9 million on the government-wide financial statements. The difference represents an understatement of amounts due from component units, representing the College’s portion of the liability, which is reimbursed by the College to the County.

The effect to the 2012 government-wide financial statements for all restatements is summarized below:

(in thousands of dollars)

	Primary Government		
	As originally reported	Restatement	As Restated
Government Wide:			
Total Net Position - beginning (as of 1/1/12)	\$ (6,254,837)	\$ (124,441) *	\$ (6,379,278)
Due from Component Unit - current and non-current	8,398	2,614	11,012
Prepaid Assets	146,448	(97,926)	48,522
Accrued Liabilities	177,672	(10,585)	167,087
Due to New York State Retirement System - current and non-current		89,915	89,915
Restricted net position - ending (as of 12/31/12)	75,922	436	76,358
Unrestricted net position - ending (as of 12/31/12)	(8,260,216)	(175,078)	(8,435,294)
Total net position - ending (as of 12/31/12)	(6,508,584)	(174,642)	(6,683,226)
Total Primary Government Expenditures (allocated (by function)	3,250,845	50,201	3,301,046
Change in Net Position	(253,747)	(50,201)	(303,948)
	Component Units		
	As originally reported	Restatement	As Restated
Government Wide:			
Accounts Payable	\$ 88,681	\$ (2,614)	\$ 86,067
Due to Primary Government - current and non-current	375	2,614	2,989

* See prior period adjustment note below.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

18. RESTATEMENT AND PRIOR PERIOD ADJUSTMENTS (Continued)***Prior Period Adjustment***

Management has determined that there were errors in the County's accounting for its contributions to the Retirement Systems' pension plans and determined that there were reporting errors in the calculation of the County's pension expense. These errors have been corrected and reported as prior period adjustments in this report.

Governmental Fund Statements:

Management determined that there was an error in the calculation of the governmental fund pension expense, resulting in a cumulative understatement of \$82.3 million for pension expenses for the period from December 31, 2006 through December 31, 2011, as reported on the governmental fund statements. This error overstated ending fund balance by the same amount. Prepaid assets and accrued liabilities, as reported in the governmental funds as of December 31, 2011, were overstated by \$87.3 million and \$5.0 million, respectively, as a result of the pension expense understatement. Consequently, the revised ending fund balance as reported in the governmental fund statements as of December 31, 2011, was reduced by \$82.3 million to \$351.5 million.

Government-wide Statements:

Management determined that there was an error in the calculation of the government-wide current and non-current liabilities for the deferment of pension expense, employee retirement incentives and prior period costs (collectively referred to as the "amortization") due to the Retirement Systems for 2011. Consequently, the pension expense reported on the government-wide financial statements for 2011, related to the amortization error, was understated in the amount of \$42.1 million, which overstated the net position by the same amount. In addition, in the government-wide financial statements, the amount due to the New York State Retirement System was understated by \$43.6 million and the amount due from component units was understated by \$1.5 million for the College's portion of the liability, which is reimbursed by the College to the County. As a result, the County restated its beginning net position to properly report the effects of the amortization and the amount due to the Retirement Systems.

The total prior period adjustment to net position for pension expense errors through December 31, 2011 was a decrease of \$124.4 million with an equivalent decrease to ending net position as of December 31, 2011.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

19. SUBSEQUENT EVENTS**Debt Issuance**

In February 2013, the County issued Series A Bond Anticipation Notes (“BANS”) of \$185.5 million with an interest rate of 2.0% and matured on February 5, 2014. The BANS were issued to fund various costs related to the remediation and restoration of County facilities and infrastructure from Superstorm Sandy related damage and to pay the costs related to the issuances of BANS. The County issued Series A General Obligation Bonds in February 2013 in the amount of \$152.4 million. The bonds bear interest at varying rates from 3.0% to 5%, with maturity dates varying from April 2014 to April 2028. The bonds maturing on or after April 1, 2023 are subject to optional redemption on April 1, 2022 or any date thereafter. The bonds were issued to fund various public purposes, including capital assets, judgments and settlements, separation payments, and to pay the costs related to the issuance of the bonds.

In June 2013, the County issued Series A and Series B Revenue Anticipation Notes in the amount of \$153.2 million and \$55.0 million, respectively, to finance cash flow needs within the County. The Series A Notes bear interest at 2% and matured on March 31, 2014. The Series B Notes bear interest at 2% and matured on April 30, 2014.

The County issued Series B General Obligation Bonds in August 2013 in the amount of \$127.9 million. The bonds bear interest at rates of 4% or 5%, with maturity dates varying from April 2015 to April 2043. The bonds maturing on or after April 1, 2024 are subject to optional redemption on April 1, 2023 or any date thereafter.

The County issued Series C and Series D General Obligation Bonds in December 2013 in the amount of \$90.7 million and \$1.1 million, respectively. The Series C bonds bear interest at rates of 5%, with maturity dates varying from April 2015 to April 2043. The Series C bonds maturing on or after April 1, 2024 are subject to optional redemption on April 1, 2023 or any date thereafter. The Series D bonds bear federally taxable interest of 0.75% and mature April 1, 2015. The Bonds were issued to fund various public purposes, including capital projects, judgments and settlements, tax certiorari payments, termination pay, workers’ compensation settlements and to pay costs of issuance related to the Bonds.

In December 2013, the County issued Series B BANS of \$122.1 million with an interest rate of 2% and are due July 1, 2014. The Notes were issued to renew, in part, the County’s Series A BANS maturing on February 5, 2014, issued to finance various costs related to the remediation and restoration of County facilities and infrastructure from Superstorm Sandy related damage and to pay costs of issuance related to the Series B BANS.

In December 2013, the County issued Series A and Series B Tax Anticipation Notes (“TANS”) in the amount of \$148.0 million and \$77.0 million, respectively, to provide monies to meet cash flow deficit expected to occur during the period that the TANS are outstanding and to pay costs of issuance related to the TANS. The TANS were issued in anticipation of the collection by the County of real property taxes levied for County purposes for the fiscal year commencing on January 1, 2014. The TANS bear interest at 2% and mature on September 15, 2014 and October 15, 2014, respectively.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

19. SUBSEQUENT EVENTS (Continued)**MTA Litigation**

In a contract action between the County and Metropolitan Transportation Authority (the “MTA”), the County sought rescission and invalidation of the Mass Transportation Funding Agreement (the “Agreement”) dated as of December 30, 1996 between the County and the MTA (and a similar 1999 mass transportation funding agreement). The MTA moved to dismiss the County’s Complaint and counterclaimed for breach of contract and conversion, seeking damages of approximately \$13.6 million plus interest, along with approximately \$7.4 million in additional capital funding. The County opposed the counterclaims on various grounds including the statute of limitations and the MTA’s failure to meet a condition precedent to payment under the 1996 agreement. The motion court issued a decision on December 22, 2010 dismissing the County’s Complaint and granting the MTA summary judgment on its counterclaims. The County moved for re-argument of the ruling for the MTA on the counterclaims and the court denied this motion in a one-sentence decision on December 5, 2011. The Appellate Division, First Department affirmed this ruling on October 25, 2012, and the Court of Appeals denied a motion for leave to appeal on May 2, 2013, thus ending the litigation of the underlying action. The judgment was paid in 2013; however, the MTA is claiming that additional interest is owed on this judgment. The County is litigating this particular issue.

The Governmental Accounting Standards Board’s (GASB) Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The Statement addresses three issues from the AICPA’s literature—related party transactions, going concern considerations, and subsequent events. The adjudication of the MTA litigation resulted in a “type one” subsequent event. This type of subsequent event provides additional evidence with respect to conditions that existed at the date of the financial statements and affects the estimates that were used in the preparation of the financial statements (e.g., the settlement of a lawsuit related to an event that occurred prior to the date of the financial statements). Therefore, in accordance with the accounting literature, an entry was recorded in the 2012 government-wide Statement of Net Position and the Statement of Activities to record the liability and recognize an expense, respectively.

Property Tax “Guarantee” Litigation

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 New York State Real Property Tax Law. Local legislation repealed that Code provision beginning with assessment rolls finalized in April 2012 and thereafter. A number of school districts and other jurisdictions in the County brought lawsuits against the County in Nassau Supreme Court challenging the validity of the County’s enactment of the local legislation repealing the Code provision. In January 2012, the Supreme Court upheld the validity of the local law and plaintiffs appealed that decision. On February 27, 2013, the Appellate Division, Second Department reversed the decision of the lower court, held that the County did not have the authority to enact such local legislation and granted summary judgment to the plaintiffs declaring that the local legislation violated the New York State Constitution and the New York State Municipal Home Rule Law. On February 18, 2014 the Court of Appeals affirmed the Appellate Division’s decision. The County estimates that the amount of its liability for paying the refunds of the towns, school districts, and special districts would be approximately \$60.0 million annually, which amount is not included in the 2014-2017 Multi-Year Financial Plan.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

19. SUBSEQUENT EVENTS (Continued)**Utilities Litigations on RPTL Article 18 and non-benefitted properties**

New York Telephone Company (now known as Verizon), New York Water Service Corporation (now known as American Water), Long Island Water Corporation (now known as American Water) and KeySpan (collectively, the "Utilities") have each filed actions and proceedings 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 New York State Real Property Tax Law (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 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. In the KeySpan litigation, the Supreme Court denied the County's motion to dismiss the complaint and ordered discovery to proceed in the matter and the related Utilities cases. Discovery in Key Span and the other Utilities cases has been stayed pending the County's appeal of this ruling. The appeal briefs were filed with the Appellate Division which granted the County's application to consolidate arguments concerning the application of the so-called County guaranty in these matters and those described in succeeding paragraph (ii). The Appellate Division rendered a decision in March 2014 finding that the application of the County guaranty does not relieve the County of the obligation to pay tax refunds if it is determined that the assessment was improper. All parties (utilities, towns, special districts and County) are expected to file motions to re-argue and each party is seeking clarification of the Appellate Division's decision, specifically as to when the guaranty requires the County to pay and whether such payment would disrupt the County's operations. 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 \$200.0 million.

Several third-party actions have been filed against the County seeking indemnification for judgments and/or claims currently pending against the Towns of Hempstead, North Hempstead and Oyster Bay as well as garbage districts within these towns. In the underlying actions the courts have determined that special ad valorem levies may not be imposed upon mass properties of the utilities (Verizon, American Water and others) for garbage and refuse collection services because such properties do not benefit from these services and ordered the towns and garbage districts to refund the payment of the levies. The towns and garbage districts seek to have the County indemnify these judgments on the basis that the County is allegedly a guarantor for any claim for an illegal assessment for non-benefitted properties. The County has submitted several motions to dismiss the third-party actions on the basis that the liability or refund for such special ad valorem taxes is the obligation of the towns and special districts. In those cases where the County's motion to dismiss was denied the County has filed motions to re-argue and/or filed notices of appeal.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

19. SUBSEQUENT EVENTS (Continued)***Utilities Litigations on RPTL Article 18 and non-benefitted properties (Continued)***

The Appellate Division granted the County's application to consolidate arguments concerning the application of the so-called County guaranty in these matters and those described in preceding paragraph (i). The Appellate Division rendered a decision in March 2014 finding that the application of the County guaranty does not relieve the County of the obligation to pay tax refunds if it is determined that the assessment was improper. All parties (utilities, towns, special districts and County) are expected to file motions to re-argue and each party is seeking clarification of the Appellate Division's decision, specifically as to when the guaranty requires the County to pay and whether such payment would disrupt the County's operations. The County intends to continue to defend itself vigorously in these actions. It is not possible to predict the outcome of these actions and proceedings or their ultimate impact on the County's financial condition. As third-party claims in these non-benefitted garbage district cases continue to be filed against the County it is difficult to predict the total outstanding liability should a court determine the County is ultimately responsible to reimburse the towns and special districts; however, at present the estimated refunds amount could be as high as \$95.0 million.

NIFA Wage Freeze Litigation

On February 14, 2013, the U.S. District Court for the Eastern District of New York issued an opinion in Carver, et al. v. Nassau County Interim Finance Authority, et al. granting the plaintiffs' (law enforcement unions) motion for summary judgment seeking to nullify NIFA's imposition of a wage freeze in 2011. Although the matter was brought by plaintiffs in federal court, the court resolved the motion on exclusively New York State law grounds, i.e., an interpretation of the N.Y. Public Authorities Law Section 3669. The decision was stayed pending an appeal to the United States Court of Appeals for the Second Circuit. On September 20, 2013, the U.S. Court of Appeals for the Second Circuit vacated the decision of the U.S. District Court and remanded the matter for further proceedings, specifically, directing the U.S. District Court to dismiss the State law claim and retain jurisdiction only over the federal constitutional claim. On October 2, 2013, plaintiffs notified the U.S. District Court that they intended to file a State court action regarding the authority of NIFA to impose the wage freeze under State law. On October 3, 2013, the U.S. District Court stayed the federal action "pending completion of the state court proceeding...without prejudice to re-opening, upon letter application, at the conclusion of the state court proceedings." In October 2013, the plaintiffs in this and related cases filed the anticipated State court actions. On March 12, 2014 State Supreme Court Justice Arthur M. Diamond ruled in this and related lawsuits that NIFA "did not exceed its authority to impose wage freezes in 2011, 2012 and 2013." The unions have filed appeals of this decision. The County and four of its unions respectively have agreed (among other things) to settle in part this and certain related cases, and such union respectively have released the County and NIFA from liability for the parts of the lawsuit which were settled. It is not possible to predict the ultimate outcome of this and related cases or their ultimate impact on the County's financial condition; however, the County estimates that, in the event of a final adverse decision, the amount of its retroactive liability for this and related cases would be approximately \$101.0 million through 2012, including ancillary costs such as payroll taxes and pension contributions, among others. The potential liability for 2013 is projected to be approximately \$131.0 million. This amount is not included in the 2014-2017 Multi-Year Financial Plan.

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

19. SUBSEQUENT EVENTS (Continued)**NIFA Wage Freeze**

On March 10, 2014, NIFA adopted a resolution similar to those adopted on March 24, 2011, and again on March 22, 2012 and March 14, 2013, imposing successive wage freezes of one year each on County employees. The wage freeze suspends all increases in salary or wages of employees of the County which were to take effect after the date of the order pursuant to collective bargaining agreements, and other analogous contracts or interest arbitrations awards then in existence or thereafter entered into. All increased payments for holiday and vacation differentials, shift differentials, salary adjustments according to plan, and step-ups and increments are also suspended. On May 3, 2014 NIFA adopted resolutions approving respective memorandums of agreement between the County and four employee unions ending the wage freeze with respect to such unions. The memorandums of agreement contain provisions to pay certain step increases and cost of living adjustments among other things.

Looks Great Services Inc., Litigation

In July 2013, the County was served with a summons and complaint by Looks Great Services, Inc. (“Looks Great”) for alleged breach of contract surrounding the services it provided to the County for tree and debris removal related to Superstorm Sandy damage and tortious interference with contracts. Looks Great is seeking \$13.8 million from the County. For fiscal year 2012, the County accrued expenses and reserved for, as a liability, an amount equal to the estimated cost of services incurred in 2012 and obligated in its FEMA fund an amount equal to the expected cost of services under its contract with Looks Great. In 2014, the County resolved the contractual claims and paid the principal amounts owed pursuant to the contract which was approximately \$13.0 million. Looks Great claims it is entitled to interest in addition to the principal amounts paid, which the County disputes. The amount of interest that Looks Great is seeking is approximately \$500,000. The County believes that the dispute over the interest will be resolved in the County’s favor. Therefore, it is expected that no additional liability will arise as a result of this litigation.

Restivo et al

In *Restivo v. County of Nassau, et al. and Kogut v. County of Nassau, et al. and Halstead 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 Nassau County District Attorney’s Office joined plaintiffs’ (then defendants’) 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 re-tried in 2005. After a bench trial, the County Court Judge acquitted Mr. Kogut. Shortly thereafter (in 2005), the indictment against Mr. Restivo and Mr. Halstead was dismissed. In 2006, plaintiffs commenced the present federal civil rights actions. On November 29, 2012, the jury found the County and the other defendants not liable in these actions. On July 22, 2013, Judge Joanna Seybert denied Mr. Kogut’s motion to set aside the jury verdict and granted in part Mr. Halstead’s and Mr. Restivo’s motions to set aside the verdict due to the possibility the jury did not understand the court’s charge with respect to their claim of malicious prosecution, which the Judge nonetheless deemed “legally correct”. The County moved for reconsideration of the decision granting Mr. Halstead and Mr. Restivo a new trial, or, in the alternative, for permission to appeal the decision. On October 30, 2013, Judge Seybert denied the County’s motion and set a date for the new trial for March 17, 2014 and concluded on April 11, 2014.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

19. SUBSEQUENT EVENTS (Continued)

Restivo et al (Continued)

The jury found only one defendant liable for violations of the defendant's civil rights. A subsequent trial for damages was held on April 15, 2014 and on April 17, 2014 the jury set damages at \$36.0 million. The County is appealing the verdict from the re-trial as well as the original underlying determination to grant the re-trial after the County was found not liable on all counts in November 2012. 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.

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REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT X-14

COUNTY OF NASSAU, NEW YORK

**SCHEDULE OF FUNDING PROGRESS - NASSAU COUNTY PORTION
POSTEMPLOYMENT RETIREMENT HEALTHCARE BENEFIT PLAN
DECEMBER 31, 2012 (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)	Accrued Percentage of Covered Payroll (b-a)/c
1/1/12	\$ 0	\$ 4,803,521	\$ 4,803,521	0.0%	\$ 906,847	529.7%
1/1/11 *	0	4,618,696	4,618,696	0.0%	880,434	524.6%
1/1/10	0	3,854,422	3,854,422	0.0%	857,856	449.3%

* The last full actuarial valuation was performed in 2011.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

EXHIBIT A-1**COUNTY OF NASSAU, NEW YORK****NONMAJOR GOVERNMENTAL FUNDS****COMBINING BALANCE SHEET****DECEMBER 31, 2012 (Dollars in Thousands)**

	Nonmajor Special Revenue Funds				Nonmajor Debt Service Funds			Total Nonmajor Governmental Funds *
	Environmental Protection Fund	Tobacco Settlement Corp General Fund	Sewer Financing Authority General Fund	Grant Fund *	FEMA Fund	Tobacco Settlement Corp Debt Service Fund	NIFA Debt Service Fund	
ASSETS								
Cash and Cash Equivalents	\$ 25,680	\$ 248	\$ 30,287	\$ 43,300	\$ 400	\$	\$	\$ 99,915
Restricted Cash							9	9
Restricted Investments						23,344	49,823	73,167
Interest Receivable							54	54
Due From Other Governments				25,948	84,799			110,747
Accounts Receivable				450				450
Interfund Receivables				1,597	2,014		16,914	20,525
Prepays		18		692				710
Other Assets				105				105
TOTAL ASSETS	\$ 25,680	\$ 266	\$ 30,287	\$ 72,092	\$ 87,213	\$ 23,344	\$ 66,800	\$ 305,682
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts Payable	\$	\$	\$	\$ 5,650	\$ 11,148	\$	\$	\$ 16,798
Accrued Liabilities				866	64,985		51,589	117,440
Deferred Revenue				49,140				49,140
Interfund Payables	8,529		24,000	1,548	11,017		33	45,127
Due to Component Unit				1,203				1,203
Due to Other Governments							73	73
Other Liabilities				87				87
Total Liabilities	8,529		24,000	58,494	87,150		51,695	229,868
Fund Balance:								
Nonspendable		18		692				710
Spendable								
Restricted				12,906	63	23,344	15,105	51,418
Committed	17,151							17,151
Unassigned		248	6,287					6,535
Total Fund Balance	17,151	266	6,287	13,598	63	23,344	15,105	75,814
TOTAL LIABILITIES AND FUND BALANCE	\$ 25,680	\$ 266	\$ 30,287	\$ 72,092	\$ 87,213	\$ 23,344	\$ 66,800	\$ 305,682

* As restated, see Note 18 to the financial statements.

EXHIBIT A-2**COUNTY OF NASSAU, NEW YORK****NONMAJOR GOVERNMENTAL FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	Nonmajor Special Revenue Funds					Nonmajor Debt Service Funds			Total Nonmajor Governmental Funds *	
	Environmental Protection Fund	Tobacco Settlement Corp General Fund	Sewer Financing Authority General Fund	Grant Fund *	FEMA Fund	Sewer Financing Authority Debt Service Fund	Tobacco Settlement Corp Debt Service Fund	NIFA Debt Service Fund		
Revenues:										
Fines and Forfeits	\$		\$	2,762	\$		\$		\$	2,762
Interest Income		6		53				330		412
Rents and Recoveries			20	716						716
Tobacco Receipts							19,222			19,222
Departmental Revenue				3,239						3,239
Interdepartmental Revenue					11,789					11,789
Interfund Revenue				235						235
Federal Aid				70,956	100,717					171,673
State Aid				18,622						18,622
Property Taxes	11,252									11,252
Special Taxes				3,166						3,166
Other Revenues				17						17
Total Revenues	11,258		20	99,766	112,506		19,225	330		243,105
Expenditures:										
Current:										
Legislature					1					1
Judicial				3,122	100					3,222
General Administration		106	82	27,979	1,535	144				29,846
Protection of Persons				10,589	20,859					31,448
Health				46,471	4,552					51,023
Public Works				1,024	83,087					84,111
Recreation and Parks				5,653	1,779					7,432
Social Services				11,895	46					11,941
Corrections				1,680	484					2,164
Total Current		106	82	108,413	112,443	144				221,188
Debt Service:										
Principal						7,800		144,580		152,380
Interest						7,679	19,331	81,083		108,093
Advanced Refunding Escrow								7,126		7,126
Total Debt Service						15,479	19,331	232,789		267,599
Total Expenditures		106	82	108,413	112,443	15,623	19,331	232,789		488,787
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,258	(106)	(62)	(8,647)	63	(15,623)	(106)	(232,459)		(245,682)
Other Financing Sources (Uses):										
Premium on Bonds								28,251		28,251
Transfers In				187						187
Transfers Out	(8,529)									(8,529)
Transfers In from NIFA								211,376		211,376
Transfers Out to NIFA								(2,628)		(2,628)
Transfers In from SFA				117,282		44,495				161,777
Transfers Out to SFA				(131,795)		(28,872)				(160,667)
Transfers In from TSC		150								150
Transfers Out to TSC							(150)			(150)
Refunding Bonds Issued								317,713		317,713
Payment to Bond Escrow Agent								(314,390)		(314,390)
Debt Service - Current Refunding NIFA								(8,060)		(8,060)
Total Other Financing Sources (Uses)	(8,529)	150	(14,513)	187		15,623	(150)	232,262		225,030
Net Change in Fund Balance	2,729	44	(14,575)	(8,460)	63		(256)	(197)		(20,652)
Fund Balance Beginning of Year, as reported	14,422	222	20,862	23,451			23,600	15,302		97,859
Prior Period Adjustment				(1,393)						(1,393)
Fund Balance Beginning of Year, as restated	14,422	222	20,862	22,058			23,600	15,302		96,466
Fund Balance End of Year	\$ 17,151	\$ 266	\$ 6,287	\$ 13,598	\$ 63	\$	\$ 23,344	\$ 15,105	\$	75,814

* As restated, see Note 18 to the financial statements.

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OTHER SUPPLEMENTARY INFORMATION

EXHIBIT B-1**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL REVENUES VS. MODIFIED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	Original Budget	Total Budgetary Authority	Actual Revenues	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis	Variance Positive (Negative)
<u>INTEREST AND PENALTIES ON TAXES</u>	\$ 28,500	\$ 28,500	\$ 27,988	\$	\$ 27,988	\$ (512)
<u>LICENSES AND PERMITS</u>						
Pistol Permit	900	900	1,022		1,022	122
Day Camp Permits	10	10	10		10	
Food Establishments	2,400	2,400	3,013		3,013	613
Hazardous Materials Registration Fees	950	950	1,314		1,314	364
Home Improvements	1,607	1,607	1,885		1,885	278
Manufacturing Frozen Desserts	15	15	12		12	(3)
Realty Subdivision Filing	47	47	84		84	37
Road Openings	1,293	1,293	479		479	(814)
Swimming Pools and Bathing Beaches	190	190	195		195	5
Temporary Residence Inspection Permit	67	67	93		93	26
Weights & Measures	1,015	1,015	1,054		1,054	39
Cross Connections	65	65	41		41	(24)
Water Supply Plan Review	93	93	81		81	(12)
Tattoo Parlor / Piercing	14	14	17		17	3
Predemolition Inspection	58	58	68		68	10
Day Camp Inspections	114	114	112		112	(2)
Taxi and Limo Registration Fees	250	250	284		284	34
Lifeguard Certification	63	63	81		81	18
ATM Registration Fees	50	50	57		57	7
Total Licenses and Permits	9,201	9,201	9,902		9,902	701
<u>FINES AND FORFEITS</u>	49,500	49,500	43,271		43,271	(6,229)
<u>INTEREST INCOME</u>	3,355	3,355	458		458	(2,897)
<u>RENTS AND RECOVERIES</u>						
Rental of Mitchell Field	2,394	2,394	3,363	(916)	2,447	53
Coliseum Concessions	585	585	1,844		1,844	1,259
Coliseum Rental	225	225	337		337	112
Coliseum Utilities	2,576	2,576	2,407		2,407	(169)
Landmark Property Rental	652	652			0	(652)
Stop DWI Grand Revenues	250	250			0	(250)
Cash Recoveries	839	839	19		19	(820)
Audit Recoveries	250	250	1		1	(249)
Grant fund Recoveries			40		40	40
Police Vehicle Recovery	200	200	236		236	36
NHCC Reimbursement	139	139	27		27	(112)
Vendor Recoveries	807	807	(11)		(11)	(818)
Red Light Camera Processing Fee Recoveries			5		5	5
Revenue Recovery Account			233		233	233
Settlement Reimbursement			2,345		2,345	2,345
Recovery of Damage to County Property	400	400	228		228	(172)
Recovery of Prior Year Appropriations			548		548	548
Recovery of Workers' Compensation	1,000	1,000	1,591		1,591	591
Rental of County Property	1,137	1,137	1,386		1,386	249
Rental of Voting Machines	120	120	89		89	(31)
Sale of County Property	5,100	5,100	11,755		11,755	6,655
Proceeds from Online Auction			208		208	208
Recoveries from Enterprise Funds	20	20	3		3	(17)
Other Recoveries			3,611		3,611	3,611
Total Rents and Recoveries	16,694	16,694	30,265	(916)	29,349	12,655

(Continued)

EXHIBIT B-1**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL REVENUES VS. MODIFIED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	Original Budget	Total Budgetary Authority	Actual Revenues	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis	Variance Positive (Negative)
DEPARTMENTAL REVENUE						
Assessment	\$ 100	\$ 100	\$ 55	\$	\$ 55	\$ (45)
Board of Elections	35	35	48		48	13
CASA	18	18	14		14	(4)
Civil Service	612	943	1,807		1,807	864
Correctional Center	15,753	15,753	6,677		6,677	(9,076)
County Attorney	95	95	112		112	17
County Clerk	23,952	23,952	27,948		27,948	3,996
County Comptroller	16	16	20		20	4
District Attorney	12	12	38		38	26
Fire Commission	6,147	6,147	5,922		5,922	(225)
Health						
Administration	3	3	4		4	1
Children's Early Intervention	9,389	9,389	10,669		10,669	1,280
Pre School Education	2,026	2,026	1,503		1,503	(523)
Laboratory Research	10	10	11		11	1
Personal Health	2	2			0	(2)
Information Technology	5	5			0	(5)
Medical Examiner	20	20	33		33	13
Mental Health, Chemical Dependency and Disabled Services	17	17				(17)
Miscellaneous	620	620	630		630	10
Parks and Recreation						
Administration	35	35	24		24	(11)
Recreation Services	9,424	9,424	9,885		9,885	461
Museums	506	506	344		344	(162)
Golf Operations	8,464	8,464	8,173		8,173	(291)
Police Ambulance Fees	23,950	23,950	24,565		24,565	615
Police Fees	683	683	421		421	(262)
Probation	1,884	1,884	1,896		1,896	12
Public Administrator	400	400	412		412	12
Public Utility Authority	1,664	1,664	1,115		1,115	(549)
Public Works - Administration	806	806	563		563	(243)
Public Works - Highway and Engineering	973	973	947		947	(26)
Public Works - Roads and Bridge Maintenance			15		15	15
Purchasing	21	21	23		23	2
Real Estate	45,601	45,601	43,717		43,717	(1,884)
Social Services						
Administration	160	160	229		229	69
Aid to Dependent Children	4,175	4,175	3,819		3,819	(356)
Burials	13	13	3		3	(10)
Children in Foster Homes	280	280	302		302	22
Home Energy Assistance Program	100	100	122		122	22
Children in Institutions	175	175	315		315	140
Education of Handicapped Children	5,398	5,398	5,281		5,281	(117)
Home Relief	2,500	2,500	2,458		2,458	(42)
Juvenile Delinquents	100	100	238		238	138
Medicaid MMIS	1,600	1,600	1,685		1,685	85
Title XX	200	200	73		73	(127)
Treasurer	750	750	466		466	(284)
Total Departmental Revenue	168,694	169,025	162,582		162,582	(6,443)
INTERDEPARTMENTAL REVENUES						
Office of Budget and Management	59,583	59,583	53,526		53,526	(6,057)
Constituent Affairs	1,348	1,348	342		342	(1,006)
Correctional Center	290	290	82		82	(208)
County Attorney	3,125	3,125	1,014		1,014	(2,111)

(Continued)

EXHIBIT B-1**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL REVENUES VS. MODIFIED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	Original Budget	Total Budgetary Authority	Actual Revenues	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis	Variance Positive (Negative)
INTERDEPARTMENTAL REVENUES (Continued)						
District Attorney	\$ 366	\$ 366	\$ 366	\$	\$ 366	\$
Human Services	18,819	18,819	268		268	(18,551)
Information Technology	4,463	4,463	4,740		4,740	277
Interdepartmental Revenue			5		5	5
Police Department	13,338	13,338	9,714		9,714	(3,624)
Public Works - Roads and Bridge Maintenance	7,963	7,963	5,913		5,913	(2,050)
Public Works - Groundwater Remediation	192	192	5		5	(187)
Real Estate	11,868	11,868	8,992		8,992	(2,876)
Parks			62		62	62
Social Services	101	101	206		206	105
Traffic Violations	32,088	32,088				(32,088)
Veterans Service Agency	1,538	1,538				(1,538)
Total Interdepartmental Revenues	155,082	155,082	85,235		85,235	(69,847)
INTERFUND REVENUES						
Revenues from Indirect Cost Chargebacks	1,704	1,704	1,598		1,598	(106)
Revenues from Grant Closeouts	225	225	175		175	(50)
Interfund Revenue	23,915	23,915	21,210		21,210	(2,705)
Interfund Revenue from Sewer & Stormwater Fund			40		40	40
NHCC Reimbursement on Guaranteed Debt	17,391	17,391	15,128		15,128	(2,263)
OTB Reimbursement	1,932	1,932	1,932		1,932	
Stop DWI Grant Revenue	496	496	140		140	(356)
Total Interfund Revenue	45,663	45,663	40,223		40,223	(5,440)
FEDERAL AID						
Correctional Center	14,973	14,973	14,587		14,587	(386)
County Attorney	300	300	256		256	(44)
Debt Service	5,163	5,163	5,163		5,163	
District Attorney	34	34	29		29	(5)
Emergency Management	492	492	610		610	118
Housing and Minority Affairs		671	432		432	(239)
Information Technology			19		19	19
Mental Health						
Administration	5,633	5,677	5,510		5,510	(167)
Miscellaneous General Fund Aid	118	118	146		146	28
Planning			18		18	18
Police Department	1,665	1,665	1,399		1,399	(266)
Probation			215		215	215
Public Works	25	1,142	1,464		1,464	322
Real Estate	6,000	8,984	7,784		7,784	(1,200)
Social Services						
Administration	8,508	8,508	9,065		9,065	557
Aid to Dependent Children	37,873	37,873	32,181		32,181	(5,692)
Children in Foster Homes	1,653	1,653	183		183	(1,470)
Children in Institutions	11,213	11,213	7,153		7,153	(4,060)
Division of Services	10,915	10,915	9,419		9,419	(1,496)
Home Energy Assistance Program	990	990	189		189	(801)
Juvenile Delinquents	3,938	3,938	3,254		3,254	(684)
Medicaid MMIS	1,400	1,400	212		212	(1,188)
Public Financial Assistance	22,786	22,786	17,296		17,296	(5,490)
Subsidized Adoptions	2,385	2,385	1,873		1,873	(512)
Title XX	29,000	29,000	42,643		42,643	13,643
Total Federal Aid	165,064	169,880	161,100		161,100	(8,780)

(Continued)

EXHIBIT B-1**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL REVENUES VS. MODIFIED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	Original Budget	Total Budgetary Authority	Actual Revenues	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis	Variance Positive (Negative)
STATE AID						
Consumer Affairs	\$ 45	\$ 45	\$ 52	\$	\$ 52	\$ 7
Correctional Center	372	372	116		116	(256)
County Attorney	75	75	(5)		(5)	(80)
Court Facility Aid	1,106	1,106	1,506		1,506	400
District Attorney	39	39	63		63	24
Fire Prevention, Safety, Communication and Education	190	190	128		128	(62)
Health						
Administration	677	677	723		723	46
Children's Early Intervention	17,927	17,927	13,388		13,388	(4,539)
Pre School Education	71,527	71,527	50,995		50,995	(20,532)
Environmental Health	1,519	1,519	1,288		1,288	(231)
Laboratory Research	772	772	478		478	(294)
Personal Health	2,600	2,600	2,818		2,818	218
Housing and Intergovernmental Affairs			152		152	152
Human Services						
Administration	13,541	13,557	11,522		11,522	(2,035)
Information Technology	434	434	63		63	(371)
Miscellaneous General Fund Aid	2,405	2,405	2,172		2,172	(233)
Police Department	589	589	912		912	323
Probation	5,306	5,306	3,904		3,904	(1,402)
Public Works						
Administration	100	100	143		143	43
Highway and Bridge Maintenance			6		6	6
Roads and Bridge Maintenance		321	1,503		1,503	1,182
Real Estate	52,400	56,804	57,404		57,404	600
Social Services						
Administration	6,658	6,658	4,158		4,158	(2,500)
Aid to Dependent Children			5,828		5,828	5,828
Burials	5	5	1		1	(4)
Children in Foster Homes	850	850	369		369	(481)
Children in Institutions	4,226	4,226	4,458		4,458	232
Division of Services	10,040	10,040	6,430		6,430	(3,610)
Education of Handicapped Children	2,699	2,699	2,512		2,512	(187)
Home Relief	11,709	11,709	10,398		10,398	(1,311)
Juvenile Delinquents	1,977	1,977	(48)		(48)	(2,025)
Juvenile Detention Center			2,289		2,289	2,289
Medicaid MMIS	2,000	2,000	95		95	(1,905)
Public Financial Assistance	15,375	15,375	11,167		11,167	(4,208)
Subsidized Adoptions	2,120	2,120	1,647		1,647	(473)
Title XX	5,500	5,500	8,100		8,100	2,600
Veterans Service Agency	33	33	60		60	27
Total State Aid	234,816	239,557	206,795		206,795	(32,762)
SALES TAX	752,819	752,819	783,162		783,162	30,343
PREEMPTED SALES TAX IN LIEU OF PROPERTY TAXES						
Towns and City of Glen Cove	85,386	85,386	73,305		73,305	(12,081)
Total Preempted Sales Tax in Lieu of Property Taxes	85,386	85,386	73,305		73,305	(12,081)

(Continued)

EXHIBIT B-1**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL REVENUES VS. MODIFIED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	Original Budget	Total Budgetary Authority	Actual Revenues	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis	Variance Positive (Negative)
PROPERTY TAXES	\$ 434,347	\$ 434,347	\$ 445,412	\$	\$ 445,412	\$ 11,065
PAYMENTS IN LIEU OF TAXES	8,662	8,662	8,583		8,583	(79)
SPECIAL TAXES						
Admission Tax - Belmont Park	55	55	72		72	17
Emergency Phone Tax	7,448	7,448	6,633		6,633	(815)
Entertainment Tax	2,495	2,495	1,740		1,740	(755)
Motor Vehicle Tax	16,454	16,454	16,080		16,080	(374)
Off-Track Betting Surtax	3,230	3,230	3,516		3,516	286
Hotel-Motel Room Tax	1,325	1,325	1,561		1,561	236
Total Special Taxes	31,007	31,007	29,602		29,602	(1,405)
OTHER REVENUES						
Miscellaneous	20,524	20,588	8,405	(5,934)	2,471	(18,117)
Total Other Revenues	20,524	20,588	8,405	(5,934)	2,471	(18,117)
Total Revenues	2,209,314	2,219,266	2,116,288	(6,850)	2,109,438	(109,828)
OTHER FINANCING SOURCES						
Bond Premium	6,438	6,438	8,409		8,409	1,971
Transfers In	124,502	133,592	38,995		38,995	(94,597)
Transfers in of Investment Income			1,084		1,084	1,084
Capital Resources	9,888	9,888				(9,888)
Proceeds from Borrowing			67,814	(65,046)	2,768	2,768
Total Other Financing Sources	140,828	149,918	116,302	(65,046)	51,256	(98,662)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 2,350,142	\$ 2,369,184	\$ 2,232,590	\$ (71,896)	\$ 2,160,694	\$ (208,490)

* Paid to County \$58,862; paid to NIFA \$1,007,149

** Total revenues and other financing sources, estimates per the 2012 County budget as adopted	\$ 2,911,405
Less: Intrafund Budget Eliminations	(561,263)
Original Budget per above	2,350,142
Less: Appropriated fund balance	(1,934)
Less: Intrafund Modified Budget Eliminations	(963)
Add: Supplemental appropriations	21,939
Budget estimates, total revenues and other financing sources	\$ 2,369,184

(Concluded)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
CURRENT:						
LEGISLATIVE						
Legislature						
Legislators						
Salaries	\$ 4,802	\$ 4,737	\$ 4,183	\$	\$ 4,183	\$ 554
Fringe Benefits	2,135	1,867	1,881	(24)	1,857	10
Equipment	13	13				13
General Expenses	24	24	12	3	15	9
Contractual Services	224	289	130		130	159
Legislative Central Staff						
Salaries	587	842	650		650	192
Fringe Benefits	332	290	294	(5)	289	1
Equipment	30	30	27		27	3
General Expenses	1,677	1,727	1,630	20	1,650	77
Contractual Services	1,477	1,172	594	539	1,133	39
Legislative Budget Review						
Salaries	909	909	709		709	200
Fringe Benefits	362	317	320	(5)	315	2
Equipment	3	3				3
General Expenses	7	7	4		4	3
Contractual Services	5	5				5
Total Legislative	12,587	12,232	10,434	528	10,962	1,270
JUDICIAL						
Court Administration						
Fringe Benefits	1,755	1,756	1,773	(196)	1,577	179
District Attorney						
Salaries	28,219	30,556	30,862	(306)	30,556	
Fringe Benefits	13,091	11,448	11,653	(266)	11,387	61
Equipment	76	76	70		70	6
General Expenses	1,126	1,126	967	26	993	133
Contractual Services	1,333	1,333	850	233	1,083	250
District Attorney Total	43,845	44,539	44,402	(313)	44,089	450
Public Administrator						
Salaries	453	518	505	(11)	494	24
Fringe Benefits	324	284	291	(11)	280	4
General Expenses	10	10	4		4	6
Contractual Services	21	21	7		7	14
Public Administrator Total	808	833	807	(22)	785	48
Traffic and Parking Violations						
Salaries	2,835	2,925	2,888	(24)	2,864	61
Fringe Benefits	1,656	1,448	1,443	(21)	1,422	26
Equipment	22	22	19		19	3
General Expenses	342	342	178	13	191	151
Contractual Services	11,553	11,553	8,511	890	9,401	2,152
Interfund Charges	50,776	50,776				50,776
Traffic and Parking Violations Total	67,184	67,066	13,039	858	13,897	53,169
Total Judicial	113,592	114,194	60,021	327	60,348	53,846
GENERAL ADMINISTRATION						
Assessment						
Salaries	8,435	9,641	9,519	(119)	9,400	241

(Continued)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
GENERAL ADMINISTRATION (Continued)						
Fringe Benefits	\$ 6,408	\$ 5,604	\$ 5,726	\$ (152)	\$ 5,574	\$ 30
Equipment	5	5				5
General Expenses	323	323	256	44	300	23
Contractual Services	52	52		13	13	39
Assessment Total	15,223	15,625	15,501	(214)	15,287	338
Board of Assessment Review						
Salaries	1,801	2,139	2,126	(5)	2,121	18
Fringe Benefits	1,228	1,074	1,090	(22)	1,068	6
General Expenses	35	35	30	2	32	3
Contractual Services	1,347	1,347	234	1,090	1,324	23
Board of Assessment Review Total	4,411	4,595	3,480	1,065	4,545	50
Board of Elections						
Administration						
Salaries	3,382	3,425	3,415	(7)	3,408	17
Fringe Benefits	1,454	1,271	1,299	(34)	1,265	6
Equipment	46	46	15	(1)	14	32
General Expenses	96	96	32		32	64
General Elections						
Salaries	7,844	9,671	8,194	(17)	8,177	1,494
Fringe Benefits	3,488	3,050	3,113	(79)	3,034	16
Equipment	101	101	42		42	59
General Expenses	2,438	2,438	1,040	33	1,073	1,365
Contractual Services	503	503	160	3	163	340
Primary Elections						
Salaries	966	2,794	1,603	(4)	1,599	1,195
Fringe Benefits	682	596	607	(14)	593	3
General Expenses	1,076	1,076	823	3	826	250
Contractual Services	547	547	177	65	242	305
Board of Elections Total	22,623	25,614	20,520	(52)	20,468	5,146
Civil Service						
Salaries	3,858	4,331	4,319	(126)	4,193	138
Fringe Benefits	2,292	2,005	2,062	(68)	1,994	11
General Expenses	333	388	187	14	201	187
Contractual Services	46	197	76	31	107	90
Interdepartmental Charges	10	10				10
Civil Service Total	6,539	6,931	6,644	(149)	6,495	436
County Attorney						
Salaries	7,786	8,788	8,772	(77)	8,695	93
Fringe Benefits	4,546	3,975	4,067	(113)	3,954	21
Equipment	15	15	1	1	2	13
General Expenses	438	438	420	12	432	6
Contractual Services	4,621	5,383	3,012	2,255	5,267	116
Worker's Compensation Expense						
Fringe Benefits	12,315	12,315	9,745	(337)	9,408	2,907
County Attorney Total	29,721	30,914	26,017	1,741	27,758	3,156
County Clerk						
Salaries	5,412	5,230	5,003	(206)	4,797	433
Fringe Benefits	3,877	3,390	3,491	(119)	3,372	18
Equipment	108	108	99	3	102	6
General Expenses	314	314	286	10	296	18
Contractual Services	497	497	220	255	475	22
County Clerk Total	10,208	9,539	9,099	(57)	9,042	497
County Comptroller						
Salaries	6,410	6,410	6,160	(289)	5,871	539
Fringe Benefits	3,632	3,176	3,299	(140)	3,159	17

(Continued)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
GENERAL ADMINISTRATION (Continued)						
Equipment	\$ 9	\$ 9	\$	\$ 5	\$ 5	\$ 4
General Expenses	80	80	50	2	52	28
Contractual Services	1,099	1,114	809	305	1,114	
County Comptroller Total	11,230	10,789	10,318	(117)	10,201	588
County Executive						
Salaries	1,752	1,713	1,713		1,713	
Fringe Benefits	1,167	1,020	1,072	(57)	1,015	5
General Expenses	87	87	57	7	64	23
Contractual Services	293	293	249	5	254	39
County Executive Total	3,299	3,113	3,091	(45)	3,046	67
County Treasurer						
Salaries	2,122	2,121	2,075	(56)	2,019	102
Fringe Benefits	1,539	1,346	1,389	(50)	1,339	7
Equipment	8	8	5		5	3
General Expenses	244	247	247		247	
Contractual Services	69	69	57	12	69	
Other Suits and Damages	75,000	(1,863)	(5,142)		(5,142)	3,279
County Treasurer Total	78,982	1,928	(1,369)	(94)	(1,463)	3,391
Office of Constituent Affairs						
Salaries	725	762	767	(6)	761	1
Fringe Benefits	415	362	368	(7)	361	1
Office of Constituent Affairs Printing & Graphics						
Salaries	978	1,690	1,676	(14)	1,662	28
Fringe Benefits	905	792	800	(13)	787	5
Equipment	1	1				1
General Expenses	1,212	1,495	1,457	38	1,495	
Contractual Services	3	3		3	3	
Office of Constituent Affairs Total	4,239	5,105	5,068	1	5,069	36
Office of Emergency Management						
Salaries	582	518	477		477	41
Fringe Benefits	214	187	188	(2)	186	1
General Expenses	10	10	5	2	7	3
Contractual Services	102	102	67	32	99	3
Office of Emergency Management Total	908	817	737	32	769	48
Information Technology						
Administration						
Salaries	6,904	7,315	7,650	(537)	7,113	202
Fringe Benefits	4,112	3,596	3,518	(149)	3,369	227
General Expenses	370	370	221	5	226	144
Contractual Services	10,249	10,249	7,366	1,769	9,135	1,114
Utilities	4,542	4,542	3,891	84	3,975	567
Interdepartmental Charges	1,342	1,342				1,342
Information Technology Total	27,519	27,414	22,646	1,172	23,818	3,596
Housing and Intergovernmental Affairs:						
Salaries	83	721	694		694	27
Fringe Benefits	746	901	703	(40)	663	238
General Expenses	5	12				12
Contractual Services	590	590		590	590	
Interdepartmental Charges	230	230	145		145	85
Housing and Intergovernmental Affairs Total	1,654	2,454	1,542	550	2,092	362
Labor Relations						
Salaries	227	297	290		290	7
Fringe Benefits	138	121	122	(2)	120	1

(Continued)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
GENERAL ADMINISTRATION (Continued)						
General Expenses	\$ 6	\$ 6	\$ 3	\$	\$ 3	\$ 3
Contractual Services	538	538	166	114	280	258
Labor Relations Total	909	962	581	112	693	269
Management and Budgets						
Salaries	(82,010)	4,867	4,867		4,867	
Fringe Benefits	1,158	1,012	1,305	(298)	1,007	5
Equipment	10					
General Expenses	51	61	53	1	54	7
Contractual Services	3,361	3,361	1,514	765	2,279	1,082
Management and Budgets Total	(77,430)	9,301	7,739	468	8,207	1,094
Personnel						
Salaries	708	625	583		583	42
Fringe Benefits	336	294	299	(7)	292	2
General Expenses	45	45	8	1	9	36
Contractual Services	112	112	1	89	90	22
Personnel Total	1,201	1,076	891	83	974	102
Purchasing						
Salaries	1,083	961	967	(39)	928	33
Fringe Benefits	911	796	835	(43)	792	4
General Expenses	18	18	16	1	17	1
Contractual Services	2	2	1		1	1
Purchasing Total	2,014	1,777	1,819	(81)	1,738	39
Office of Real Estate Services						
Salaries	757	519	352	(50)	302	217
Fringe Benefits	221	193	196	(4)	192	1
General Expenses	87	97	87	2	89	8
Contractual Services	104,023	111,541	111,097	127	111,224	317
Insurance on Buildings	1,302	1,302	516	785	1,301	1
Rent	15,175	15,250	13,676	1,357	15,033	217
Mass Transportation						
Pt. Lookout/Lido Beach Bus Route	75	75		75	75	
Metropolitan Suburban Bus Authority	1,930	1,930	1,930		1,930	
LIRR Station Maintenance	28,094	27,879	27,879		27,879	
MTA-LIRR Operating Assistance	11,584	11,584	11,584		11,584	
Physically Challenged Transportation	610	610	609	1	610	
Office of Real Estate Services Total	163,858	170,980	167,926	2,293	170,219	761
Public Utility Authority						
General Expenses	1,859	1,859	791	397	1,188	671
Contractual Services	54	54	8	(8)		54
Interdepartmental Charges	10	10	5		5	5
Public Utility Authority Total	1,923	1,923	804	389	1,193	730
Office of Records Management						
Salaries	758	718	672	(4)	668	50
Fringe Benefits	692	605	642	(40)	602	3
Equipment	5	5	4		4	1
General Expenses	211	211	189	1	190	21
Contractual Services	201	201	112	86	198	3
Office of Records Management Total	1,867	1,740	1,619	43	1,662	78
Total General Administration	310,898	332,597	304,673	7,140	311,813	20,784

(Continued)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
<u>PROTECTION OF PERSONS</u>						
Commission on Human Rights						
Salaries	\$ 270	\$ 540	\$ 514	\$	\$ 514	\$ 26
Fringe Benefits	1,357	1,186	1,204	(24)	1,180	6
General Expenses	5	5	2		2	3
Contractual Services	12	12		10	10	2
Commission on Human Rights Total	1,644	1,743	1,720	(14)	1,706	37
Commissioner of Accounts						
Fringe Benefits	120	105	118	(14)	104	1
Contractual Services	15	15				15
Commissioner of Accounts Total	135	120	118	(14)	104	16
Consumer Affairs						
Salaries	1,691	1,691	1,680	(45)	1,635	56
Fringe Benefits	1,319	1,153	1,200	(53)	1,147	6
Equipment	2	2				2
General Expenses	15	15	9		9	6
Consumer Affairs Total	3,027	2,861	2,889	(98)	2,791	70
Fire Commission						
Salaries	9,679	10,441	10,390	(44)	10,346	95
Fringe Benefits	4,676	4,273	4,438	(281)	4,157	116
Equipment	27	27				27
General Expenses	85	85	53	28	81	4
Contractual Services	4,297	4,297	4,215	51	4,266	31
Interdepartmental Charges	2,655	2,655	1,822		1,822	833
Fire Commission Total	21,419	21,778	20,918	(246)	20,672	1,106
Police Headquarters						
Salaries	192,750	217,867	240,513	(23,415)	217,098	769
Fringe Benefits	113,340	105,835	111,302	(6,375)	104,927	908
Worker's Compensation	3,520	3,320	3,027		3,027	293
Equipment	277	144	122	21	143	1
General Expenses	3,255	3,443	3,150	252	3,402	41
Contractual Services	8,287	9,758	8,807	917	9,724	34
Utilities	2,432	2,362	2,289	4	2,293	69
Other Suits	11,861	202	202		202	
Interdepartmental Charges	24,252	23,830	21,908		21,908	1,922
Police Headquarters Total	359,974	366,761	391,320	(28,596)	362,724	4,037
Medical Examiner						
Salaries	4,836	5,993	5,630	(15)	5,615	378
Fringe Benefits	2,352	2,057	2,103	(57)	2,046	11
Equipment	12	82	67		67	15
General Expenses	456	509	444	2	446	63
Contractual Services	87	87	45	42	87	
Interdepartmental Charges	1,134	1,134				1,134
Medical Examiner Total	8,877	9,862	8,289	(28)	8,261	1,601
Total Protection of Persons	395,076	403,125	425,254	(28,996)	396,258	6,867
<u>HEALTH</u>						
Health Department Administration						
Salaries	146	1,663	1,504	(43)	1,461	202

(Continued)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
HEALTH (Continued)						
Fringe Benefits	\$ 1,127	\$ 986	\$ 1,025	\$ (44)	\$ 981	\$ 5
General Expenses	294	294	93	171	264	30
Interdepartmental Charges	5,946	5,946	5,796		5,796	150
Environmental Health						
Salaries	6,714	6,567	6,667	(190)	6,477	90
Fringe Benefits	4,997	4,370	4,544	(198)	4,346	24
Equipment	11	11	7		7	4
General Expenses	116	116	108	6	114	2
Contractual Services	205	205	77	105	182	23
Interdepartmental Charges	35	35	35		35	
Laboratory Research						
Salaries	1,367	1,048	948	(27)	921	127
Fringe Benefits	711	621	647	(29)	618	3
Equipment	18	18	4		4	14
General Expenses	847	847	409	29	438	409
Contractual Services	150	150				150
Interdepartmental Charges	177	177	177		177	
Public Health						
Salaries	1,676	1,043	815	(23)	792	251
Fringe Benefits	611	534	555	(24)	531	3
General Expenses	148	148	29	6	35	113
Contractual Services	222	222	52	70	122	100
Various Direct Expenses	5,000	5,000	5,000		5,000	
Interdepartmental Charges	154	154	154		154	
Early Intervention						
Salaries	3,701	3,452	3,428	(98)	3,330	122
Fringe Benefits	2,569	2,247	2,338	(103)	2,235	12
General Expenses	526	526	365	1	366	160
Contractual Services	24	24	24		24	
Early Intervention Charges	61,649	61,649	36,287	127	36,414	25,235
Preschool Education						
Salaries	362	329	316	(9)	307	22
Fringe Benefits	237	207	216	(10)	206	1
General Expenses	2	2	2		2	
Contractual Services	244	244	108	135	243	1
Early Intervention Charges	167,370	163,943	105,668	20,142	125,810	38,133
Health Department Total	267,356	262,778	177,398	19,994	197,392	65,386
Mental Health, Chemical Dependency and Disabled Services						
Administration						
Salaries	4,564	5,165	4,503	(40)	4,463	702
Fringe Benefits	1,921	1,680	2,005	(96)	1,909	(229)
General Expenses	592	592	392		392	200
Interdepartmental Charges	2,131	2,131	1,683		1,683	448
Contractual Services						
Contractual Services	13,103	13,103	7,048	3,277	10,325	2,778
Direct Services						
Fringe Benefits	275	240	104	(104)		240
General Expenses	5	5		5	5	
Contractual Services	190	190		2	2	188
Mental Health, Chemical Dependency and Disabled Services	22,781	23,106	15,735	3,044	18,779	4,327
Total Health	290,137	285,884	193,133	23,038	216,171	69,713

(Continued)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
<u>PUBLIC WORKS</u>						
Administration						
Salaries	\$ 2,966	\$ 2,691	\$ 2,308	\$ (117)	\$ 2,191	\$ 500
Fringe Benefits	2,295	2,007	2,102	(115)	1,987	20
Worker's Compensation	2,040	2,040	1,915		1,915	125
General Expenses	42	42	31	6	37	5
Contractual Services	672	672	110	534	644	28
Rent			1	(1)		
Highway and Engineering						
Salaries	8,245	7,115	6,685	(295)	6,390	725
Fringe Benefits	5,292	4,628	4,682	(241)	4,441	187
Equipment	18	18	11		11	7
General Expenses	28	28	23		23	5
Contractual Services	3,165	5,266	6,803	(1,608)	5,195	71
Utility Costs	2,302	2,302	1,938	11	1,949	353
Interdepartmental Charges	802	802				802
Highway and Bridge Maintenance						
Salaries	13,264	18,054	16,981	(748)	16,233	1,821
Fringe Benefits	13,444	11,803	12,050	(613)	11,437	366
Equipment	114	114	51		51	63
General Expenses	2,017	2,204	1,282	203	1,485	719
Contractual Services	4,641	5,740	3,576	1,250	4,826	914
Utility Costs	28,544	28,469	22,295	1,606	23,901	4,568
Interdepartmental Charges	9,978	9,978	9,258		9,258	720
Groundwater Remediation						
Salaries	2,062	2,107	2,181	(96)	2,085	22
Fringe Benefits	1,727	1,510	1,581	(79)	1,502	8
Equipment	8	8	4		4	4
General Expenses	3,084	3,044	2,599	315	2,914	130
Contractual Services	90	130	73	47	120	10
Interdepartmental Charges	2,701	2,701	1,505		1,505	1,196
Total Public Works	109,541	113,473	100,045	59	100,104	13,369
<u>RECREATION AND PARKS</u>						
Administration						
Salaries	1,339	1,752	1,707	(29)	1,678	74
Fringe Benefits	964	843	870	(31)	839	4
Equipment	12	12	2		2	10
General Expenses	87	362	352	1	353	9
Contractual Services	1,449	1,174	906	267	1,173	1
Interdepartmental Charges	80	80	1		1	79
Technical Service						
Salaries	3,012	3,299	3,247		3,247	52
Fringe Benefits	1,865	1,631	1,682	(60)	1,622	9
Equipment	250	250	249		249	1
General Expenses	622	622	551	26	577	45
Contractual Services	1,783	1,783	1,482	217	1,699	84
Recreation Service						
Salaries	5,506	4,841	4,925	(84)	4,841	
Fringe Benefits	2,781	2,432	2,510	(91)	2,419	13
Equipment	90	90	49	6	55	35
General Expenses	142	142	128	(1)	127	15
Contractual Services	220	220	111	94	205	15

(Continued)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
RECREATION AND PARKS (Continued)						
Museum						
Salaries	\$ 145	\$ 767	\$ 680	\$ (12)	\$ 668	\$ 99
Fringe Benefits	384	336	346	(12)	334	2
Equipment	8	8				8
General Expenses	71	71	45	8	53	18
Contractual Services	93	93	82	6	88	5
Golf Operations						
Salaries	3,500	3,163	3,218	(55)	3,163	
Fringe Benefits	1,817	1,589	1,640	(60)	1,580	9
Equipment	120	120	116		116	4
General Expenses	593	593	573	14	587	6
Contractual Services	494	494	307	54	361	133
Total Recreation and Parks	27,427	26,767	25,779	258	26,037	730
SOCIAL SERVICES						
Bar Association - Public Defender	6,689	6,689	6,326		6,326	363
CASA						
Salaries	251	311	301		301	10
Fringe Benefits	176	154	153		153	1
General Expenses	3	3	3		3	
Contractual Services	13	13	4		4	9
CASA Total	443	481	461		461	20
Human Services						
Salaries	2,217	2,065	2,375	(290)	2,085	(20)
Fringe Benefits	2,991	2,614	2,751	(151)	2,600	14
Equipment	1	1				1
General Expenses	63	63	18	2	20	43
Contractual Services	26,416	26,476	21,729	3,490	25,219	1,257
Interdepartmental Charges	2,085	2,085	1,791		1,791	294
Human Services Total	33,773	33,304	28,664	3,051	31,715	1,589
Legal Aid Society	5,904	5,904	2,952		2,952	2,952
Minority Affairs						
Salaries	280	456	438		438	18
Fringe Benefits	282	246	255	(10)	245	1
General Expenses	8	8	5	2	7	1
Contractual Services	86	86	38		38	48
Minority Affairs Total	656	796	736	(8)	728	68
Social Services Department						
Administration						
Salaries	1,302	4,461	4,366	(70)	4,296	165
Fringe Benefits	2,976	2,602	2,672	(83)	2,589	13
Equipment	14	14	13		13	1
General Expenses	411	411	340	22	362	49
Contractual Services	1,509	1,509	889	349	1,238	271
Interdepartmental Charges	20,083	20,083	15,039		15,039	5,044
Public Financial Assistance						
Salaries	26,634	21,173	19,971	(318)	19,653	1,520
Fringe Benefits	13,613	11,904	12,219	(378)	11,841	63
Equipment	15	15	5		5	10
General Expenses	467	467	327	42	369	98
Contractual Services	9,716	10,161	5,002	4,480	9,482	679

(Continued)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
<u>SOCIAL SERVICES (continued)</u>						
Division of Services						
Salaries	\$ 21,038	\$ 19,402	\$ 18,678	\$ (298)	\$ 18,380	\$ 1,022
Fringe Benefits	12,731	11,133	11,428	(354)	11,074	59
General Expenses	258	258	117	25	142	116
Contractual Services	120	120	73	29	102	18
Juvenile Detention Center						
Salaries		44	44	(1)	43	1
General Expenses	56	56	7	43	50	6
Contractual Services	426	426	38	370	408	18
Real Estate						
General Expenses	1	1				1
Handicapped Children Education						
Emergency Vendor Payments	14,881	16,081	15,351	499	15,850	231
Aid to Dependent Children						
Recipient Grants	30,630	26,630	26,033		26,033	597
Emergency Vendor Payments	10,001	8,001	7,622	(57)	7,565	436
Home Relief						
Recipient Grants	35,750	31,930	31,627		31,627	303
Emergency Vendor Payments	7,125	9,900	9,497		9,497	403
Children in Institutions						
Contractual Services				114	114	(114)
Emergency Vendor Payments	21,078	19,893	15,413	4,412	19,825	68
Children in Foster Homes						
Recipient Grants	1,475	1,475	1,205		1,205	270
Purchased Services	1	1				1
Emergency Vendor Payments	650	650	502		502	148
Juvenile Delinquents						
Emergency Vendor Payments	9,112	7,912	1,765	6,089	7,854	58
Training Schools						
Emergency Vendor Payments	5,002	5,002	5,002		5,002	
Children in Institutions - Title 4E						
Emergency Vendor Payments	530	605	595	10	605	
Children in Foster Homes - Title 4E						
Recipient Grants	500	500	476		476	24
Emergency Vendor Payments	255	255	172		172	83
Subsidized Adoptions						
Recipient Grants	5,300	5,300	5,172		5,172	128
Burials						
Emergency Vendor Payments	275	275	253		253	22
Medicaid						
Medicaid	248,838	248,838	247,935		247,935	903
Home Energy Assistance						
Recipient Grants	990	990	132		132	858
Title-XX						
Purchased Services	59,828	67,538	65,677	1,258	66,935	603
Social Services Department Total	<u>563,591</u>	<u>556,016</u>	<u>525,657</u>	<u>16,183</u>	<u>541,840</u>	<u>14,176</u>
Veterans Service Agency						
Salaries	169	268	268		268	
Fringe Benefits	279	244	257	(14)	243	1
General Expenses	9	9	7		7	2
Contractual Services	1	1				1
Interdepartmental Charges	1,165	1,165	229		229	936
Veterans Service Agency Total	<u>1,623</u>	<u>1,687</u>	<u>761</u>	<u>(14)</u>	<u>747</u>	<u>940</u>

(Continued)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
<u>SOCIAL SERVICES (continued)</u>						
Total Social Services	\$ 612,679	\$ 604,877	\$ 565,557	\$ 19,212	\$ 584,769	\$ 20,108
<u>CORRECTIONS</u>						
Correctional Center						
Salaries	116,156	114,899	114,389	(1,418)	112,971	1,928
Fringe Benefits	56,347	49,275	49,985	(974)	49,011	264
Worker's Compensation	5,260	5,510	4,918		4,918	592
Equipment	68	43	25	1	26	17
General Expenses	3,170	3,307	3,148	83	3,231	76
Contractual Services	32,645	32,992	17,327	9,151	26,478	6,514
Utility Costs	654	654	424		424	230
Interfund Charges	432	432	5		5	427
Correctional Center Total	214,732	207,112	190,221	6,843	197,064	10,048
Sheriff						
Salaries	5,737	6,239	6,317	(78)	6,239	
Fringe Benefits	3,696	3,232	3,334	(119)	3,215	17
Equipment	2	2	3		3	(1)
General Expenses	29	29	20		20	9
Sheriff Total	9,464	9,502	9,674	(197)	9,477	25
Correctional Center and Sheriff Total	224,196	216,614	199,895	6,646	206,541	10,073
Probation						
Administration						
Salaries	16,673	17,090	16,739	(573)	16,166	924
Fringe Benefits	11,231	9,822	10,240	(471)	9,769	53
Equipment	36	36	13	11	24	12
General Expenses	326	326	195	35	230	96
Contractual Services	641	641	425	200	625	16
Utility Costs	1	1				1
Interfund Charges	865	865	211		211	654
Probation Total	29,773	28,781	27,823	(798)	27,025	1,756
Total Corrections	253,969	245,395	227,718	5,848	233,566	11,829
<u>EDUCATION</u>						
Payment to Long Beach Schools	106	106	106		106	
Public Library Services	1,463					
State School Tuition	11,660	11,660	4,643		4,643	7,017
Total Education	13,229	11,766	4,749		4,749	7,017
<u>BONDED PAYMENTS FOR TAX CERTIORARI AND OTHER JUDGMENTS</u>						
			34,377	(34,377)		
<u>OTHER EXPENDITURES</u>						
Nassau Health Care Corporation	13,000	13,000	15,795	(2,795)	13,000	
Aid to Towns and Cities	62,852	64,299	64,299		64,299	
County Executive Associations			(1)		(1)	1
FEMA Match		8,808	8,808		8,808	
Interdepartmental Charges	25,270	25,270	22,317		22,317	2,953
Lido-Point Lookout Fire District	6	6	6		6	
HIPPA Payments	25	25	(25)		(25)	50

(Continued)

EXHIBIT B-2**COUNTY OF NASSAU, NEW YORK****COMPARATIVE STATEMENT OF ACTUAL EXPENDITURES
VS. TOTAL BUDGETARY AUTHORITY
GENERAL FUND****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

FUNCTIONS	Original Budget	Total Budgetary Authority	Actual Expenditures *	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis *	Variance Positive (Negative) *
<u>OTHER EXPENDITURES (Continued)</u>						
Miscellaneous Expense	\$ 31,842	\$ 31,388	\$ 27,913	\$ 644	\$ 28,557	\$ 2,831
NYS Association of Counties	59	59	59		59	
NIFA Expenditures	2,025	2,025				2,025
Suits and Damages	20,035	20,035	3,292		3,292	16,743
Total Other Expenditures	155,114	164,915	142,463	(2,151)	140,312	24,603
Debt Service:						
Principal	69,011	69,011	57,530		57,530	11,481
Interest	93,863	93,863	71,344		71,344	22,519
Financing Costs	4,235	4,235	4,673		4,673	(438)
Total Debt Service	167,109	167,109	133,547		133,547	33,562
Total Expenditures	2,461,358	2,482,334	2,227,750	(9,114)	2,218,636	263,698
<u>TRANSFERS OUT</u>						
Debt Service Fund			2,768		2,768	(2,768)
Total Transfers Out			2,768		2,768	(2,768)
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 2,461,358	\$ 2,482,334	\$ 2,230,518	\$ (9,114)	\$ 2,221,404	\$ 260,930
Appropriations per the 2012 budget as adopted						\$ 2,911,405
Intrafund Budget Elimination						(561,263)
Outstanding encumbrances, January 1, 2012						111,216
Original Budget per above						2,461,358
Add: Supplemental appropriations						21,939
Less: Intrafund Modified Budget eliminations						(963)
Total Budgetary Authority						\$ 2,482,334

* As restated, see Note 18 to the financial statements.

(Concluded)

EXHIBIT B-3**COUNTY OF NASSAU, NEW YORK**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TOTAL BUDGETARY AUTHORITY AND ACTUAL
POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	Original Budget	Total Budgetary Authority	Actual *	GAAP to Budgetary Basis Conversion *	Actual on a Budgetary Basis *	Variance Positive (Negative) *
Revenues:						
Licenses and Permits	\$ 2,829	\$ 2,829	\$ 3,630	\$	\$ 3,630	\$ 801
Fines and Forfeits	1,750	1,750	788		788	(962)
Interest Income	271	271	50		50	(221)
Rents and Recoveries	200	200	34		34	(166)
Departmental Revenue	4,912	4,912	2,996		2,996	(1,916)
Interdepartmental Revenue	354	354	280		280	(74)
Federal Aid			5,161		5,161	5,161
State Aid			351		351	351
Property Taxes	369,985	369,985	369,988		369,988	3
Other Revenue	1,460	1,460	1,404	(1,404)		(1,460)
Total Revenues	381,761	381,761	384,682	(1,404)	383,278	1,517
Expenditures:						
Protection of Persons:						
Salaries	210,050	230,484	229,364	(1,907)	227,457	3,027
Fringe Benefits	120,142	108,841	99,606	(996)	98,610	10,231
Worker's Compensation	7,265	7,265	5,616		5,616	1,649
Equipment	190	190	140	1	141	49
General Expenses	3,851	6,151	5,009	388	5,397	754
Contractual Services	882	882	744	112	856	26
Utility Costs	1,306	1,306	1,195	42	1,237	69
Interdepartmental Charges	22,465	22,240	20,492		20,492	1,748
FEMA Match		935	935		935	
Other	16,462	4,094	916		916	3,178
Total Expenditures	382,613	382,388	364,017	(2,360)	361,657	20,731
Excess (Deficiency) of Revenues Over (Under) Expenditures	(852)	(627)	20,665	956	21,621	22,248
Other Financing Sources (Uses):						
Transfers In			1,907	(1,907)		
Transfers Out	(1,733)	(1,958)	(1,958)		(1,958)	
Capital Resources	2,407	2,407				(2,407)
Total Other Financing Sources (Uses)	674	449	(51)	(1,907)	(1,958)	(2,407)
Net Change in Fund Equity (Deficit)	(178)	(178)	20,614	(951)	19,663	19,841
Fund Balance Beginning of Year, as reported	178	178	4,025		4,025	3,847
Prior Period Adjustments			(25,552)	30,533	4,981	4,981
Fund Balance (Deficit) Beginning of Year, as restated	178	178	(21,527)	30,533	9,006	8,828
Fund Balance (Deficit) End of Year	\$	\$	\$ (913)	\$ 29,582	\$ 28,669	\$ 28,669

* As restated, see Note 18 to the financial statements.

EXHIBIT B-4**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, 2012 (Dollars in Thousands)

	Original Budget	Total Budgetary Authority	Actual *	GAAP to Budgetary Basis Conversion *	Actual on a Budgetary Basis *	Variance Positive (Negative) *
Revenues:						
Licenses and Permits	\$ 735	\$ 735	\$ 806	\$	\$ 806	\$ 71
Interest Income	110	110	208		208	98
Rents and Recoveries	71	71	716	4	720	649
Departmental Revenue	40,004	40,004	1,595		1,595	(38,409)
Interdepartmental Revenue	650	650				(650)
Intergovernmental Charges	2,251	2,251	2,251		2,251	
Property Taxes			117,282		117,282	117,282
Other Revenues	165	165	183	(183)		(165)
Total Revenues	43,986	43,986	123,041	(179)	122,862	78,876
Expenditures:						
Public Works:						
Salaries	19,332	19,332	18,306		18,306	1,026
Fringe Benefits	11,614	11,614	10,920	(523)	10,397	1,217
Equipment	359	359	101	18	119	240
General Expenses	16,568	14,450	11,460	2,839	14,299	151
Contractual Services	30,057	32,175	24,441	7,439	31,880	295
Utility Costs	11,462	11,462	7,704	2,365	10,069	1,393
Interdepartmental Charges	20,320	18,274	15,774		15,774	2,500
FEMA Match		2,046	2,046		2,046	
Other	21,096	21,096	75		75	21,021
Debt Service:						
Principal	16,678	16,678	16,678		16,678	
Interest	9,143	9,143	6,435		6,435	2,708
Total Expenditures	156,629	156,629	113,940	12,138	126,078	30,551
Excess (Deficiency) of Revenues Over (Under) Expenditures	(112,643)	(112,643)	9,101	(12,317)	(3,216)	109,427
Other Financing Sources (Uses):						
Transfer In			674		674	674
Transfer Out	(16,400)	(16,400)	(11,917)		(11,917)	4,483
Transfer In of Investment Income	1,032	1,032	8		8	(1,024)
Transfers In/(Out) to SFA	100,872	100,872	(4,236)		(4,236)	(105,108)
Capital Resources			340		340	340
Total Other Financing Sources (Uses)	85,504	85,504	(15,131)		(15,131)	(100,635)
Net Change in Fund Balances	(27,139)	(27,139)	(6,030)	(12,317)	(18,347)	8,792
Fund Balance Beginning of Year, as reported	27,139	27,139	89,881		89,881	62,742
Prior Period Adjustments			(1,369)	1,320	(49)	(49)
Fund Balance Beginning of Year, as restated	27,139	27,139	88,512	1,320	89,832	62,693
Fund Balance (Deficit) End of Year	\$	\$	\$ 82,482	\$ (10,997)	\$ 71,485	\$ 71,485

* As restated, see Note 18 to the financial statements.

EXHIBIT B-5**COUNTY OF NASSAU, NEW YORK**

**STATEMENT OF EXPENDITURES BY COUNTY DEPARTMENTS AND OFFICES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)
(INCLUDING LIFETIME ACTIVITY THROUGH DECEMBER 31, 2012)**

County Departments, Offices and Boards	Budgetary Authority as of December 31, 2012	Expenditures through December 31, 2011 **	Available Budgetary Authority for 2012 **	2012 Expenditures *	Remaining Budgetary Authority December 31, 2012 *
Affirmative Action	\$ 1,240	\$ 1,140	\$ 100	\$	\$ 100
Assessment	13,000	11,363	1,637		1,637
Behavioral Health	283,961	164,043	119,918	31,896	88,022
Budget and Management	774		774		774
CASA	735	466	269		269
Consumer Affairs	250	178	72	59	13
Correctional Center	12,436	10,662	1,774	717	1,057
County Attorney	295	295			
County Clerk	321	244	77		77
County Comptroller	805	446	359		359
Criminal Justice Coordinating Council	59,179	54,039	5,140	768	4,372
Cultural Development	441	437	4		4
District Attorney	30,922	20,486	10,436	2,354	8,082
Drug and Alcohol	693,474	527,186	166,288		166,288
Board of Election	1,378	682	696	107	589
Emergency Management	20,395	9,363	11,032	4,494	6,538
Fire Commission	3,365	1,947	1,418	384	1,034
General Services	415	315	100		100
Health	250,787	199,594	51,193	14,575	36,618
Housing and Inter- governmental Affairs	731,676	634,359	97,317	23,378	73,939
Human Rights	1,897	1,702	195		195
Information Technology	198	198			
Labor	50	46	4		4
Medical Center	5,119	188	4,931		4,931
Medical Examiner	8,831	6,079	2,752	1,223	1,529
Mental Health	213,875	169,654	44,221		44,221
Miscellaneous	91,127	72,570	18,557		18,557
Planning	29,101	20,954	8,147	949	7,198
Police	111,620	79,838	31,782	7,028	24,754
Probation	40,769	33,548	7,221	963	6,258
Public Works	17,208	13,340	3,868	75	3,793
Real Estate Services	104,534		104,534		104,534
Records Management	114	113	1		1
Recreation and Parks	27,304	17,035	10,269	5,653	4,616
Senior Citizen Affairs	63,161	60,291	2,870		2,870
Sheriff	66	55	11		11
Social Services	84,274	50,612	33,662	11,721	21,941
Traffic Safety Board	60,370	56,690	3,680	1,895	1,785
Veterans Services	458	424	34		34
Women's Services	194	148	46		46
Youth Board	38,851	31,207	7,644	174	7,470
Total	\$ 3,004,970	\$ 2,251,937	\$ 753,033	\$ 108,413	\$ 644,620

* As restated, see Note 18 to the financial statements.

**Adjustments have been made to the 2011 numbers to show the effect of the prior period adjustment for comparative purposes.

EXHIBIT B-6**COUNTY OF NASSAU, NEW YORK**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 TOTAL BUDGETARY AUTHORITY AND ACTUAL
 ENVIRONMENTAL PROTECTION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	Original Budget	Total Budgetary Authority	Actual	GAAP to Budgetary Basis Conversion	Actual on a Budgetary Basis	Variance Positive (Negative)
Revenues:						
Interest Income	\$ 83	\$ 83	\$ 6	\$	\$ 6	\$ (77)
Property Taxes	11,250	11,250	11,252		11,252	2
Total Revenues	11,333	11,333	11,258		11,258	(75)
Other Financing Uses:						
Transfer Out	(12,076)	(12,076)	(8,529)		(8,529)	3,547
Total Other Financing Uses	(12,076)	(12,076)	(8,529)		(8,529)	3,547
Net Change in Fund Balance	(743)	(743)	2,729		2,729	3,472
Fund Balance Beginning of Year	743	743	14,422		14,422	13,679
Fund Balance End of Year	\$	\$	\$ 17,151	\$	\$ 17,151	\$ 17,151

EXHIBIT B-7**COUNTY OF NASSAU, NEW YORK****STATEMENT OF EXPENDITURES BY COUNTY DEPARTMENTS AND OFFICES
TOTAL BUDGETARY AUTHORITY AND ACTUAL
FEMA FUND
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)
(INCLUDING LIFETIME ACTIVITY THROUGH DECEMBER 31, 2012)**

County Departments, Offices and Boards	Budgetary Authority as of December 31, 2012	2012 Expenditures	Remaining Budgetary Authority December 31, 2012
Correctional Center	\$ 489	\$ 107	\$ 382
Office of Constituent Affairs	79	34	45
District Attorney	556	100	456
Board of Election	519	228	291
Emergency Management	2,145	1,062	1,083
Fire Commission	1,018	561	457
Health	2,176	777	1,399
Human Services	145	18	127
Information Technology	1,119	205	914
Legislature	2	1	1
Medical Examiner	8	3	5
Police	19,173	10,557	8,616
Police Headquarters	17,290	9,738	7,552
Probation	1,240	377	863
Public Works	147,768	83,087	64,681
Purchasing	16	6	10
Recreation and Parks	4,895	1,779	3,116
Social Services	83	28	55
STEP Program	15,000	3,775	11,225
Total	<u>\$ 213,721</u>	<u>\$ 112,443</u>	<u>\$ 101,278</u>

EXHIBIT C-1**COUNTY OF NASSAU, NEW YORK****CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	<u>Land*</u>	<u>Intangibles*</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
Legislative	\$	\$	\$	\$ 254	\$ 107	\$	\$ 361
Judicial	2,593		1,933	73,629	3,734		81,889
General Administration	122,603	8,804	1,197	165,793	35,560		333,957
Protection of Persons	5,254		190	74,619	88,214		168,277
Health	475			4,672	3,266		8,413
Public Works	13,491		1,522	317,817	59,899	1,861,167	2,253,896
Recreation and Parks	35,653		68,659	96,492	13,732	42,551	257,087
Social Services	545		3,840	19,967	1,202		25,554
Corrections				183,146	10,620		193,766
Other Expenditures/MSBA				26,409	197,485		223,894
Metropolitan Transportation Authority					140,040		140,040
Other	58,470		716	134,439			193,625
Total	239,084	8,804	78,057	1,097,237	553,859	1,903,718	3,880,759
Less: Accumulated Depreciation			50,053	399,059	412,869	801,631	1,663,612
	\$ 239,084	\$ 8,804	\$ 28,004	\$ 698,178	\$ 140,990	\$ 1,102,087	2,217,147
Construction in Progress							362,225
Total Net Capital Assets							\$ 2,579,372

* Land and Intangible Capital Assets are not depreciated.

EXHIBIT C-2**COUNTY OF NASSAU, NEW YORK****STATEMENT OF CHANGES IN CAPITAL ASSETS BY FUNCTION
DECEMBER 31, 2012 (Dollars in Thousands)**

	Capital Assets** January 1, 2012	Additions*	Deletions*	Capital Assets December 31, 2012
Legislative	\$ 331	\$ 30	\$	\$ 361
Judicial	81,634	287	32	81,889
General Administration	236,197	98,061	301	333,957
Protection of Persons	177,179	4,572	13,474	168,277
Health	8,311	139	37	8,413
Public Works	2,238,763	51,120	35,987	2,253,896
Recreation and Parks	242,545	18,269	3,727	257,087
Social Services	26,205		651	25,554
Corrections	193,599	307	140	193,766
Other Expenditures/MSBA	203,968	20,001	75	223,894
Metropolitan Transportation Authority	140,040			140,040
Other	193,795		170	193,625
Construction in Progress	400,669	116,409	154,853	362,225
Total	4,143,236	309,195	209,447	4,242,984
Less: Accumulated Depreciation	1,567,270	123,751	27,409	1,663,612
Total Changes in Net Capital Assets	\$ 2,575,966	\$ 185,444	\$ 182,038	\$ 2,579,372

* Additions include buildings, equipment, infrastructure and intangible assets for both the County and the Nassau County Sewer and Storm Water Finance Authority and the transfer of construction in progress. Deletions include buildings, equipment and infrastructure for the County and the transfer of construction in progress to the Nassau County Sewer and Storm Water Finance Authority.

** Reclassifications have been made to the prior year financial statements where necessary, to conform to the current year's presentation. Such reclassifications have no effect on the overall balance, as previously reported.

EXHIBIT D-1**COUNTY OF NASSAU, NEW YORK****STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES****FIDUCIARY FUNDS****DECEMBER 31, 2012 (Dollars in Thousands)**

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2012</u>
Agency Fund				
<u>ASSETS:</u>				
Cash	\$ 41,162	\$ 1,334,558	\$ 1,325,880	\$ 49,840
TOTAL ASSETS	<u>\$ 41,162</u>	<u>\$ 1,334,558</u>	<u>\$ 1,325,880</u>	<u>\$ 49,840</u>
<u>LIABILITIES:</u>				
Accounts Payable	\$ 1,473	\$ 367,959	\$ 368,237	\$ 1,195
Due To (From) Component Unit	(5,472)	101,532	93,870	2,190
Other Liabilities	45,161	1,115,376	1,114,082	46,455
TOTAL LIABILITIES	<u>\$ 41,162</u>	<u>\$ 1,584,867</u>	<u>\$ 1,576,189</u>	<u>\$ 49,840</u>
Nassau County Tobacco Securitization Corporation Residual Trust				
<u>ASSETS:</u>				
Cash	\$ 18,448	\$ 32	\$ 589	\$ 17,891
<u>LIABILITIES:</u>				
Other Liabilities	<u>\$ 18,448</u>	<u>\$ 32</u>	<u>\$ 589</u>	<u>\$ 17,891</u>

EXHIBIT D-2**COUNTY OF NASSAU, NEW YORK****STATEMENT OF CHANGES IN OTHER LIABILITIES****FIDUCIARY FUNDS****FOR THE YEAR ENDED DECEMBER 31, 2012 (Dollars in Thousands)**

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
Agency Fund				
Cash Bail	\$ 9,865	\$ 9,580	\$ 9,124	\$ 10,321
Coliseum Deferred Revenue	4,684			4,684
Contractors' Cash Bond Escrow	1,135	22		1,157
Declining Balance Account - Staples		1,327	1,327	
Dental Insurance	46	5,176	5,199	23
Estate Suspense Account	431	1,337	1,307	461
Federal Withholding Taxes	424	164,219	164,551	92
Flex Benefit Plan	75	3,921	3,996	
Grainger Declining Balance Account		1,221	1,221	
Health Insurance		281,986	281,986	
Highway Deposits	1,149	722	803	1,068
Medical Assistance Pay In	3,005	959	2,076	1,888
Mortgage Taxes	5,793	41,279	40,008	7,064
Nassau County Bridge Authority	1,578		1,390	188
New York City Withholding Taxes	41	1,228	1,227	42
New York State Withholding Taxes	1,928	61,189	61,344	1,773
Optical Insurance	59	1,594	1,606	47
Payments in Lieu of Taxes	6,567	31,806	28,242	10,131
Payroll Deductions - others	67	59,355	59,385	37
Payroll Deferred Compensation		60,134	60,134	
Real Estate Escrow	494	732	1,176	50
Retirement System	47	144,741	144,513	275
Social Security Taxes	73	118,149	118,222	
Social Service Trust		2,204	2,204	
TIAA/CREF Payroll Deductions	882	7,525	5,861	2,546
Traffic Violations Clearing Account	4,244	25,725	27,629	2,340
Triad Worker's Compensation Account	454	22,734	22,521	667
Trust Fund Deposits	1,257	53,352	53,230	1,379
Trust Fund Deposits - short term		1,222	1,222	
Unemployment Insurance		2,852	2,852	
All Other Liabilities	863	9,085	9,726	222
Total Other Liabilities	<u>\$ 45,161</u>	<u>\$ 1,115,376</u>	<u>\$ 1,114,082</u>	<u>\$ 46,455</u>
Nassau County Tobacco Securitization Corporation Residual Trust				
Other Liabilities - undisbursed bond proceeds	<u>\$ 18,448</u>	<u>\$ 32</u>	<u>\$ 589</u>	<u>\$ 17,891</u>

EXHIBIT E-1

COUNTY OF NASSAU, NEW YORK

**STATEMENT OF CASH IN BANKS*
ALL FUNDS OF THE PRIMARY GOVERNMENT
DECEMBER 31, 2012 (Dollars in Thousands)**

CASH BALANCES BY FUND:

General Fund	\$ 262,417 **
NIFA General Fund	522
Police District	264
Sewer & Storm Water	92,501
Capital	242,906
Nonmajor Governmental Funds	99,924
Agency Fund	67,731
	<hr/>
Total Cash Balances By Funds	\$ 766,265

CASH BALANCES BY BANK:

The Bank of New York	\$ 44,576
Bank of America	45,131
JP Morgan Chase	39,516
Citibank	4,500
Wachovia Bank	216,892
TD Bank	32,967
Capital One Bank	145,202
Signature Bank	175,276
City National Bank of New Jersey	312
HSBC	60,782
Petty Cash	1,111
	<hr/>
Total Cash Balances By Bank	\$ 766,265

*See Exhibit X-13 Note 2, Deposits and Investments

**The Cash Balance reported on this Statement will equal the sum of the Cash and Cash Equivalents plus Restricted Cash appearing on the Statement of Net Position (Exhibit X-1) for the Primary Government and the Cash Balance, as of the fiscal year end, reported in the Statement of Changes in Fiduciary Assets and Liabilities (Exhibit D-1).

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INTERNAL CONTROL AND COMPLIANCE

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

Honorable Edward P. Mangano, County Executive
and Members of the County Legislature
County of Nassau, New York

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Nassau (the "County"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 12, 2013 (May 30, 2014 as to the effects of the restatement described in Note 18 and as to the non-adjusting subsequent event disclosures in Notes 6, 10, 12, 13, 14 and 19). Our report includes a reference to other auditors who audited the financial statements of the Nassau Regional Off-Track Betting Corporation, the Nassau County Industrial Development Agency, Nassau County Local Economic Assistance Corporation, the Nassau County Bridge Authority, and the Nassau Health Care Corporation, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The report of the independent auditor contained an explanatory paragraph concerning the Nassau Regional Off-Track Betting Corporation's ability to continue as a going concern. In addition, the County's audit opinion contains explanatory paragraphs concerning Nassau County Interim Finance Authority control period over the County; the adoption of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and the Nassau County Tobacco Settlement Corporation receives tobacco settlement revenue that is dependent on many factors and are subject to certain adjustments, which may be material.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, as item 2012-15.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and questioned costs as items 12-01, 12-02, 12-03 and 12-06 through 12-14.

County's Responses to findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subject to the auditing procedures applied in the audit of the financial statement and accordingly, we express no opinion on them.

Purpose of this Report

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

Deloitte & Touche LLP

July 12, 2013 (May 30, 2014 as to the effects of the restatement described in Note 18 and as to the non-adjusting subsequent event disclosures in Notes 6, 10, 12, 13, 14 and 19)

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Honorable Edward P. Mangano, County Executive
and Members of the County Legislature
County of Nassau, New York

Report on Compliance for Each Major Federal Program

We have audited the compliance of the County of Nassau, New York (the “County”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended December 31, 2012. The County’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

The County’s basic financial statements include the operations of the Nassau Community College, the Nassau Regional Off-Track Betting Corporation, the Nassau County Industrial Development Agency, Nassau County Local Economic Assistance Corporation, the Nassau County Bridge Authority, and the Nassau Health Care Corporation, which received in aggregate \$56,991,241 in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2012. Our audit, described below, did not include the operations of Nassau Community College (the “College”) because a separate audit is performed on the College at its August 31, 2012 year-end. Our audit also did not include the operations of the Nassau Regional Off-Track Betting Corporation, the Nassau County Industrial Development Agency, Nassau County Local Economic Assistance Corporation, the Nassau County Bridge Authority and the Nassau Health Care Corporation because these component units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County’s compliance.

Basis for Qualified Opinion on the Community Development Block Grants/Entitlement Grants Program and the ARRA Homeless Prevention & Rapid Re-Housing Program

As described in items 12-04 and 12-05 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding subrecipient monitoring that are applicable to its Community Development Block Grants/Entitlement Grants CFDA 14.218 and cash management requirements applicable to its ARRA Homeless Prevention & Rapid Re-Housing Program CFDA 14.257. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the Community Development Block Grants/Entitlement Grants Program and the ARRA Homeless Prevention & Rapid Re-Housing Program

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-01, 12-02, 12-03 and 12-06 through 12-14. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned cost. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we

identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider that deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-04 and 12-05 to be material weaknesses.

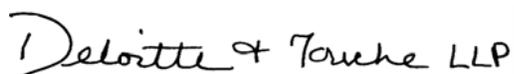
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-01, 12-02, 12-03, 12-06 through 12-14 to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the County as of and for the year ended December 31, 2012, and have issued our report thereon dated July 12, 2013 (May 30, 2014 as to the effects of the restatement described in Note 18 and as to the non-adjusting subsequent event disclosures in Notes 6, 10, 12, 13, 14 and 19), which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



September 30, 2013

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COUNTY OF NASSAU, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>PASSED THROUGH:</i>			
NEW YORK STATE DEPARTMENT OF EDUCATION:			
<i>CHILD NUTRITION CLUSTER</i>			
SCHOOL BREAKFAST PROGRAM	10.553	705962	\$ 2,563
NATIONAL SCHOOL LUNCH PROGRAM	10.555	705962	3,820
TOTAL CHILD NUTRITION CLUSTER			<u>6,383</u>
<i>PASSED THROUGH:</i>			
NEW YORK STATE DEPARTMENT OF HEALTH:			
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC Program)			
	10.557	C-025767	13,756,666
NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE:			
<i>SNAP CLUSTER</i>			
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM			
	10.561	N/A	1,481,729
TOTAL SNAP CLUSTER			<u>1,481,729</u>
TOTAL - U.S. DEPARTMENT OF AGRICULTURE			<u>15,244,778</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>DIRECT PROGRAMS:</i>			
<i>CDBG - ENTITLEMENT GRANT CLUSTER</i>			
COMMUNITY DEVELOPMENT BLOCK GRANTS/ ENTITLEMENT GRANTS			
	14.218	B-08UN-36-0101	14,472,660
ARRA -COMMUNITY DEVELOPMENT BLOCK GRANT ARRA ENTITLEMENT GRANTS (CDBG-R)			
	14.253	N/A	1,242,013
TOTAL CDBG - ENTITLEMENT GRANT CLUSTER			<u>15,714,673</u>
EMERGENCY SHELTER GRANTS PROGRAM (ESG)	14.231	S01-UC-36-0106	572,939
SUPPORTIVE HOUSING PROGRAM	14.235	N/A	217,587
HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME Program)	14.239	M01-UC-36-0207	2,545,510
COMMUNITY DEVELOPMENT BLOCK GRANTS- SECTION 108 LOAN GUARANTIES	14.248	N/A	185,961
ARRA-HOMELESS PREVENTION & RAPID REHOUSING PROGRAM	14.257	S-09-UY-36-0106	765,176
LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM	14.905	N/A	777,733
<i>PASSED THROUGH:</i>			
NEW YORK STATE HOUSING FINANCE AGENCY			
NEIGHBORHOOD STABILIZATION PROGRAM			
	14.228	1008	167,761
TOTAL - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>20,947,340</u>

(Continued)

COUNTY OF NASSAU, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
U. S. DEPARTMENT OF JUSTICE			
<i>DIRECT PROGRAMS:</i>			
JOINT LAW ENFORCEMENT OPERATIONS (JLEO)	16.111	N/A	\$ 16,756
SERVICES FOR TRAFFICKING VICTIMS	16.320	2010-VT-BX-0006	47,284
PART E-DEVELOPING, TESTING AND DEMONSTRATING PROMISING NEW PROGRAMS	16.541	2008-DD-BX-0466,2008-JL-FX-0528	29,997
ARRA-VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	2009-SB-B9-1000	82,433
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM (SCAAP)	16.606	2011-A-BX-0283	6,823,524
FORENSIC DNA BACKLOG REDUCTION PROGRAM	16.741	2009-DN-BX-K144, 2010-DN-BX-K049, 2011-DN-BX-K471	443,183
CONGRESSIONALLY RECOMMENDED AWARDS	16.753	2009-DJ-BX-0087	398,876
ARRA - EDWARD BYRNE MEMORIAL COMPETITIVE GRANT PROGRAM	16.808	2009-SC-B9-0126, 2009-SC-B9-0122	269,393
SECOND CHANCE ACT PRISONER REENTRY INITIATIVE	16.812	2011-CZ-BX-0038	25,829
EQUITABLE SHARING PROGRAM	16.922	NY0299000	2,729,197
<i>PASSED THROUGH:</i>			
NEW YORK STATE CRIME VICTIMS BOARD			
CRIME VICTIM ASSISTANCE	16.575	C501091	113,832
NEW YORK STATE DIVISION OF CRIMINAL JUSTICE SERVICES			
JUVENILE JUSTICE AND DELINQUENCY PREVENTION ALLOCATION TO STATES	16.540	C612159	149,942
JUVENILE ACCOUNTABILITY BLOCK GRANTS	16.523	C-612065, C612112	179,805
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	C551745	100,664
PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT PROGRAM	16.742	C108142, C118161, C108140	83,762
NEW YORK STATE POLICE			
ARRA - INTERNET CRIME AGAINST CHILDREN TASK FORCE PROGRAM	16.800	2009-SN-B9-K023, 2009-SB-B9-1000	27,645
THE CENTER FOR COURT INNOVATION:			
COMMUNITY PROSECUTION AND PROJECT SAFE NEIGHBORHOODS	16.609	2010-GP-BX-0075, 2011-GP-BX-0075	40,932
JAG PROGRAM CLUSTER			
<i>DIRECT PROGRAMS:</i>			
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	16.738	2009-DJ-BX-0248, 2010-DJ-BX-0978,2011- DJ-BX-2782	89,254
ARRA-EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG)	16.804	2009-SB-B9-1000	474,899
<i>PASSED THROUGH:</i>			
NEW YORK STATE DIVISION OF CRIMINAL JUSTICE SERVICES			
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	16.738	C63649 C632506	60,373
ARRA - EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG)	16.803	C632333	149,778
TOTAL JAG PROGRAM CLUSTER			774,304
TOTAL - U.S. DEPARTMENT OF JUSTICE			12,337,358

(Continued)

COUNTY OF NASSAU, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>DIRECT PROGRAMS:</i>			
FEDERAL TRANSIT CLUSTER			
FEDERAL TRANSIT - FORMULA GRANTS	20.507	K006858.NY-90-X679,NY90-X678,K007048	\$ 8,897,479
TOTAL FEDERAL TRANSIT CLUSTER			<u>8,897,479</u>
<i>PASSED THROUGH:</i>			
NEW YORK STATE DEPARTMENT OF TRANSPORTATION			
TRANSIT METROPOLITAN TRANSPORTATION PLANNING	20.505	C002631,C033468,D000643	511,961
ALTERNATIVES ANALYSIS	20.522	K007010	1,438,553
HAZARDOUS MATERIAL EMERGENCY PLANNING GRANT	20.703	N/A	4,703
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
NEW YORK STATE DEPARTMENT OF TRANSPORTATION			
HIGHWAY PLANNING AND CONSTRUCTION	20.205	C002631, PIN 0229 03.D031662,D022009, D32424,D032731	7,234,035
ARRA - HIGHWAY PLANNING AND CONSTRUCTION	20.205	D032409,D032408,D032536,D032537, D032170	2,621,646
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			<u>9,855,681</u>
HIGHWAY SAFETY CLUSTER			
NEW YORK STATE GOVERNOR'S TRAFFIC SAFETY COMMITTEE:			
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	C001934	428,653
TOTAL HIGHWAY SAFETY CLUSTER			<u>428,653</u>
TOTAL - U.S. DEPARTMENT OF TRANSPORTATION			<u>21,137,030</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
<i>DIRECT PROGRAMS:</i>			
TREASURY ASSET FORFEITURE PROGRAM	21.000	N/A	723,007
<i>PASS THROUGH:</i>			
STATE OF NEW YORK MORTGAGE AGENCY			
NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM	21.000	N/A	61,731
TOTAL - U.S. DEPARTMENT OF THE TREASURY			<u>784,738</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>DIRECT PROGRAMS:</i>			
NATIONAL CLEAN DIESEL EMISSIONS REDUCTION PROGRAM	66.039	DE-97225101-0	572,827
<i>PASSED THROUGH:</i>			
NEW YORK STATE DEPARTMENT OF HEALTH			
BEACH MONITORING AND NOTIFICATION PROGRAM IMPLEMENTATION GRANTS	66.472	C024968	47,818
NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION			
CAPITALIZATION GRANTS FOR WASTE WATER TREATMENT WORKS	66.458	N/A	210,364
ARRA - CAPITALIZATION GRANTS FOR WASTE WATER TREATMENT WORKS	66.458	N/A	210,364
TOWN OF OYSTER BAY, NEW YORK			
CAPITALIZATION GRANTS FOR WASTE WATER TREATMENT WORKS	66.458	N/A	210,364
ARRA - CAPITALIZATION GRANTS FOR WASTE WATER TREATMENT WORKS	66.458	N/A	210,364
VILLAGE OF LAWRENCE, NEW YORK			
CAPITALIZATION GRANTS FOR WASTE WATER TREATMENT WORKS	66.458	N/A	1,856,700
VILLAGE OF CEDARHURST, NEW YORK			
ARRA - CAPITALIZATION GRANTS FOR WASTE WATER TREATMENT WORKS	66.458	N/A	348,115
CAPITALIZATION GRANTS FOR WASTE WATER TREATMENT WORKS	66.458	N/A	78,014
TOTAL - U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>3,744,930</u>

(Continued)

COUNTY OF NASSAU, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>PASSED THROUGH:</i>			
<i>EARLY INTERVENTION SERVICES (IDEA) CLUSTER</i>			
<i>NEW YORK STATE DEPARTMENT OF HEALTH:</i>			
<i>SPECIAL EDUCATION - GRANTS FOR INFANTS AND FAMILIES</i>	84.181	C021804, C021805	\$ 962,040
<i>TOTAL EARLY INTERVENTION SERVICES (IDEA) CLUSTER</i>			<u>962,040</u>
<i>HEMPSTEAD SCHOOL DISTRICT</i>			
<i>21st CENTURY COMMUNITY LEARNING CENTERS</i>	84.287	PO#163359,PO#167800, PO#168397	<u>35,037</u>
TOTAL - U.S. DEPARTMENT OF EDUCATION			<u>997,077</u>
<u>U.S. ELECTION ASSISTANCE COMMISSION</u>			
<i>PASSED THROUGH</i>			
<i>NEW YORK STATE BOARD OF ELECTIONS</i>			
<i>HELP AMERICA VOTE ACT REQUIREMENTS PAYMENTS</i>	90.401	N/A	<u>58,445</u>
TOTAL U.S. ELECTION ASSISTANCE COMMISSION			<u>58,445</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>DIRECT PROGRAMS:</i>			
<i>COMPREHENSIVE COMMUNITY MENTAL HEALTH SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES (SED)</i>			
	93.104	N/A	1,158,259
<i>HIV EMERGENCY RELIEF PROJECT GRANTS</i>	93.914	N/A	6,351,331
<i>PASSED THROUGH:</i>			
<i>NEW YORK STATE DEPARTMENT OF HEALTH:</i>			
<i>IMMUNIZATION CLUSTER</i>			
<i>IMMUNIZATION GRANTS</i>	93.268	C023254	<u>88,753</u>
<i>TOTAL IMMUNIZATION CLUSTER</i>			88,753
<i>PREVENTIVE HEALTH SERVICES-SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS</i>			
	93.977	C021837,T028063,C027976	162,996
<i>MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES</i>			
	93.994	C026520	168,745
<i>MEDICAID CLUSTER</i>			
<i>NEW YORK STATE DEPARTMENT OF HEALTH:</i>			
<i>MEDICAL ASSISTANCE PROGRAM</i>			
	93.778	N/A	8,883,503
<i>MEDICAL ASSISTANCE PROGRAM - PRENATAL</i>			
	93.778	C021368	103,011
<i>MEDICAL ASSISTANCE PROGRAM - COMMUNITY HEALTH</i>			
	93.778	C021368	117,199
<i>NEW YORK STATE OFFICE OF MENTAL HEALTH:</i>			
<i>MEDICAL ASSISTANCE PROGRAM</i>			
	93.778	N/A	<u>158,428</u>
<i>TOTAL MEDICAID CLUSTER</i>			<u>9,262,141</u>
<i>NEW YORK STATE OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE:</i>			
<i>CHILD SUPPORT ENFORCEMENT</i>			
	93.563	N/A	3,351,319
<i>ARRA- CHILD SUPPORT ENFORCEMENT</i>			
	93.563	N/A	1,118,258
<i>LOW-INCOME HOME ENERGY ASSISTANCE</i>			
	93.568	N/A	1,071,570
<i>TANF CLUSTER</i>			
<i>TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)</i>			
	93.558	N/A	<u>37,915,253</u>
TOTAL TANF CLUSTER			<u>37,915,253</u>
<i>CCDF CLUSTER</i>			
<i>NEW YORK STATE OFFICE OF CHILDREN AND FAMILY SERVICES</i>			
<i>CHILD CARE AND DEVELOPMENT BLOCK GRANT</i>	93.575	N/A	<u>44,029,205</u>
<i>TOTAL CCDF CLUSTER</i>			<u>44,029,205</u>

(Continued)

COUNTY OF NASSAU, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
NEW YORK STATE OFFICE OF CHILDREN AND FAMILY SERVICES:			
FOSTER CARE-TITLE IV-E	93.658	N/A	\$ 6,935,572
ARRA - FOSTER CARE-TITLE IV-E	93.658	N/A	49,251
ADOPTION ASSISTANCE	93.659	N/A	1,948,275
ARRA - ADOPTION ASSISTANCE	93.659	N/A	90,310
SOCIAL SERVICES BLOCK GRANT	93.667	N/A	6,680,630
NEW YORK STATE BOARD OF ELECTIONS			
VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES GRANTS TO STATES	93.617	N/A	49,125
NEW YORK STATE HEALTH RESEARCH, INC.:			
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	C023340, 1624-10, 1624-11	682,003
NEW YORK STATE OFFICE FOR THE AGING:			
SPECIAL PROGRAMS FOR THE AGING - TITLE VII, CHAPTER 2 - LONG TERM CARE OMBUDSMAN SERVICES FOR OLDER INDIVIDUALS	93.042	N/A	53,918
SPECIAL PROGRAMS FOR THE AGING - TITLE III, PART D - DISEASE PREVENTION AND HEALTH PROMOTION SERVICES	93.043	N/A	86,548
AGING CLUSTER			
SPECIAL PROGRAMS FOR THE AGING - TITLE III, PART B - GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS	93.044	N/A	1,307,457
SPECIAL PROGRAMS FOR THE AGING - TITLE III, PART C - NUTRITION SERVICES	93.045	N/A	2,418,426
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	N/A	472,660
TOTAL AGING CLUSTER			<u>4,198,543</u>
NATIONAL FAMILY CAREGIVER SUPPORT, TITLE III, PART E	93.052	N/A	652,930
LOW-INCOME HOME ENERGY ASSISTANCE	93.568	N/A	272,253
CENTERS FOR MEDICARE AND MEDICAID SERVICES (CMS) RESEARCH, DEMONSTRATIONS AND EVALUATIONS	93.779	N/A	93,025
NEW YORK STATE OFFICE OF ALCOHOL AND SUBSTANCE ABUSE SERVICES:			
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	N/A	4,992,190
NEW YORK STATE OFFICE OF MENTAL HEALTH:			
BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.958	N/A	1,845,844
TOTAL - U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>133,308,247</u></u>

(Continued)

COUNTY OF NASSAU, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
<i>DIRECT PROGRAMS:</i>			
PORT SECURITY GRANT PROGRAM	97.056	2008-GB-T8-0071	\$ 366,145
<i>PASSED THROUGH:</i>			
NEW YORK STATE OFFICE OF HOMELAND SECURITY:			
DISASTER GRANTS- PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	N/A	45,102,868
INTEROPERABLE EMERGENCY COMMUNICATIONS GRANT	97.055	C154195	578,010
HOMELAND SECURITY GRANT PROGRAM	97.067	C834183, C834190, C834199, C834103, C834194, C834100, C834182, C834102, C884391, C834193, T884399, C834180	4,559,941
NEW YORK STATE EMERGENCY MANAGEMENT OFFICE:			
HAZARD MITIGATION GRANT	97.039	N/A	131,943
EMERGENCY MANAGEMENT PERFORMANCE GRANTS (EMPG)	97.042	N/A	494,326
CITIZEN CORPS	97.053	C000402, C000415	23,624
SUFFOLK COUNTY FIRE RESCUE AND EMERGENCY SERVICES			
STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE (SAFER)	97.083	EMV-2009-FF-00543	1,296,588
NEW YORK CITY POLICE DEPARTMENT			
SECURING THE CITIES	97.106	NYS Securing the Cities Agreement	25,159
TOTAL - DEPARTMENT OF HOMELAND SECURITY			<u>52,578,604</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 261,138,547</u>

See notes to the schedule of expenditures of federal awards.

(Concluded)

COUNTY OF NASSAU, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs administered by the County of Nassau, New York (the "County"), a financial reporting entity, as defined in Note 1 to the County's basic financial statements. All Federal financial assistance received directly from Federal agencies, as well as Federal financial assistance passed through other government agencies is included in the Schedule of Expenditures of Federal Awards ("SEFA").

The total amount reported for the Special Supplemental Nutrition Program for Women, Infants and Children ("WIC") (CFDA 10.557) represents the Federal share of non-cash assistance for WIC instruments (including Special Formula Food Instruments) redeemed for cash and the Federal share of the County's administrative costs.

2. BASIS OF ACCOUNTING

The expenditures for the programs reported in the accompanying Schedule of Expenditures of Federal Awards are presented on the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements, except for expenditures for the U.S. Department of Health and Human Services (ARRA Medical Assistance Program, Medicaid Cluster, ARRA Foster Care- Title IV-E, Foster Care- Title IV-E, ARRA Adoption Assistance, ARRA Child Support Enforcement, Child Support Enforcement, and Child Care and Development Block Grant), which are administered on a cash basis. The modified accrual basis reports the Federal expenditure in the period when the expenditure was incurred, regardless of when it was paid. The cash basis reports the Federal expenditure in the year it is paid. The amounts reported as expenditures in the accompanying SEFA generally were obtained from the amounts reported in financial reports with federal agencies, which are prepared from records maintained for each program. These records are reconciled to the Nassau Integrated Financial System ("NIFS") accounting system, which is the source of the basic financial statements.

3. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

The SEFA includes pass-through Federal funds.

Women, Infants and Children Nutrition Program:

The amounts presented below consist of disbursements to program recipients or vendors, which were drawn directly from New York State ("NYS") accounts, and are not included in the County's basic financial statements.

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Direct Recipients</u>	<u>County</u>	<u>Total Federal Assistance</u>
WIC	10.557	\$ 10,671,799 (a)	\$ 3,084,867 (b)	\$ 13,756,666

(a) This represents non-cash assistance. The County distributed NYS checks to the recipients.

(b) Amount represents funds passed through to the County for administration expenditures.

COUNTY OF NASSAU, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

Disaster Grants — Public Assistance (Presidentially Declared Disasters) CFDA # 97.036

During 2012, as a result of Superstorm Sandy (the “Storm”), the County sustained damage, mainly from downed trees and floodwaters. The County’s costs for emergency protective measures, debris removal and other recovery efforts totaled approximately \$112.4 million through December 31, 2012; these expenditures were reported by the County in a new fund, the FEMA fund, created in 2012 to capture the activity of Storm related expenditures and the corresponding Federal Aid, anticipated at the reimbursement rate of 90%. The FEMA fund expenditures are reported in the County’s Basic Financial Statements (Exhibit B-7).

In accordance with the Federal Emergency Management Agency’s (“FEMA”) reporting requirements, only a portion of the expenditures reported in 2012 are reportable on the County’s SEFA, specifically, only those costs incurred in the fiscal year corresponding to a Project Worksheet (“PW”) and approved by FEMA prior to December 31, 2012.

The reconciliation below of the Federal Expenditures reported in the County’s 2012 SEFA to the County’s Basic Financial Statements shows that as of December 31, 2012, FEMA had approved \$50,114,298 of project costs, of which 90% (\$45,102,868) are anticipated to be reimbursed by FEMA.

	Total Approved PW Amount @12.31.2012	FEMA Reimbursable @ 90%	County Match Expenditures	Total Sandy Expenditures
	\$ 50,114,298	\$ 45,102,868	\$ 5,011,430	\$ 50,114,298
2012 Expenditures related to PWs approved subsequent to 12.31.2012				55,484,116
2012 Expenditures related to PWs pending approval				6,845,036
Total 2012 FEMA Expenses reported on CAFR				<u>\$ 112,443,450</u>

Expenditures totaling \$55,484,116 recorded in the FEMA Fund as of December 31, 2012, corresponded to PWs approved by FEMA prior to the issuance of the County’s Comprehensive Annual Financial Report (“CAFR”) but after December 31, 2012.

Reconciliation of Federal Expenditures reported in the SEFA to the CAFR:

The difference between the Federal expenditures reported in the SEFA and the County’s CAFR are primarily comprised of the 2012 expenses incurred as a result of the Storm for which a PW was not yet approved by FEMA as of December 31, 2012, the Federal Assistance related to the WIC program, and the difference between cash basis reporting for some programs and modified accrual basis reporting for others.

4. FEDERAL ASSET FORFEITURES — UNEXPENDED CASH BALANCES

The County receives funds under Federal Asset Forfeiture Programs administered by the U.S. Department of Justice and the U.S. Department of the Treasury, respectively. Unexpended cash balances on hand relating to these programs at December 31, 2012, were as follows:

COUNTY OF NASSAU, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

U.S. Department of Justice:		
Police Department	16.922	\$ 9,482,702
District Attorney	16.922	2,884,915
Correctional Center	16.922	602,202
Probation	16.922	<u>31</u>
Total U.S. Department of Justice - Equitable Sharing Program		<u>12,969,850</u>
U.S. Department of the Treasury:		
Police Department	21.000	3,366,109
District Attorney	21.000	<u>813,411</u>
Total U.S. Department of the Treasury Asset Forfeiture Program		<u>4,179,520</u>
Total Federal Equitable Sharing and Asset Forfeiture Funds on Hand		<u>\$17,149,370</u>

5. PROGRAM CLUSTERS

Part 5 of OMB Circular A-133 defines a cluster of programs as a grouping of federal programs with different CFDA numbers that are closely related and share common compliance requirements. Program clusters are considered as one program for purposes of determining major programs. At December 31, 2012, the following programs were categorized as clusters:

U.S. Department of Agriculture

Child Nutrition Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Passed-Through NYS Department of Education	School Breakfast Program	10.553	\$ 2,563
	National School Lunch Program	10.555	<u>3,820</u>
Total			<u>\$ 6,383</u>
SNAP Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Passed-Through NYS Office of Temporary and Disability Assistance	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	\$ 1,481,729
Total			<u>\$ 1,481,729</u>

COUNTY OF NASSAU, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

U.S. Department of Housing and Urban Development

CDBG-Entitlement Grants Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Direct	Community Development Block Grants/Entitlement Grants	14.218	\$ 14,472,660
	ARRA-Community Development Block Grant ARRA Entitlement grants (CDBG-R)	14.253	<u>1,242,013</u>
	Total		<u>\$ 15,714,673</u>

U.S. Department of Justice

Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Direct	Edward Byrne Memorial Justice Assistance Grant	16.738	\$ 89,254
Direct	ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	474,899
Passed-Through NYS Division of Criminal Justice Services	Edward Byrne Memorial Justice Assistance Grant	16.738	60,373
	ARRA-Edward Byrne Memorial Justice Assistance Grant	16.803	<u>149,778</u>
	Total		<u>\$ 774,304</u>

U.S. Department of Transportation

Federal Transit Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Direct	Federal Transit-Formula Grants (Urbanized Area Formula Program)	20.507	<u>\$ 8,897,479</u>
	Total		<u>\$ 8,897,479</u>

Highway Planning and Construction Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Passed-Through NYS Department of Transportation	Highway Planning and Construction	20.205	\$ 7,234,035
	ARRA-Highway Planning and Construction	20.205	<u>2,621,646</u>
	Total		<u>\$ 9,855,681</u>

COUNTY OF NASSAU, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

Highway Safety Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Passed-Through NYS Governor's Traffic Safety Committee	State and Community Highway Safety	20.600	<u>\$ 428,653</u>
	Total		<u>\$ 428,653</u>

U.S. Department of Education

Early Intervention Services (IDEA) Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Passed-Through NYS Department of Health	Special Education Grants for Infants and Families	84.181	<u>\$ 962,040</u>
	Total		<u>\$ 962,040</u>

U.S. Department of Health and Human Services

Immunization Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Passed-Through NYS Department of Health	Immunization Grants	93.268	<u>\$ 88,753</u>
	Total		<u>\$ 88,753</u>

Medicaid Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Passed-Through NYS Department of Health	Medical Assistance Program	93.778	\$ 8,883,503
	Medical Assistance Program - Prenatal	93.778	103,011
	Medical Assistance Program - Community Health	93.778	117,199
Passed Through NYS Office of Mental Health	Medical Assistance Program	93.778	<u>158,428</u>
	Total		<u>\$ 9,262,141</u>

COUNTY OF NASSAU, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

TANF Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Passed-Through NYS Office of Temporary and Disability Assistance	Temporary Assistance for Needy Families (TANF)	93.558	<u>\$ 37,915,253</u>
	Total		<u>\$ 37,915,253</u>

CCDF-Child Care and Development Block Grant Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Passed-Through NYS Office of Children and Family Services	Child Care and Development Block Grant	93.575	<u>\$ 44,029,205</u>
	Total		<u>\$ 44,029,205</u>

Aging Cluster			
Direct/Pass- Through Grantor	Program	CFDA No.	2012 Expenditures
Passed-Through NYS Office for the Aging	Special Programs for the Aging — Title III, Part B — Grants for Supportive Services and Senior Centers	93.044	\$ 1,307,457
	Special Programs for the Aging — Title III, Part C — Nutrition Services	93.045	2,418,426
	Nutrition Services Incentive Programs (“NSIP”)	93.053	<u>472,660</u>
	Total		<u>\$ 4,198,543</u>

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FINDINGS AND QUESTIONED COSTS

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COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

I. SUMMARY OF AUDITORS' RESULTS

Type of report issued on the financial statements:	Unmodified.
Internal control over financial reporting:	
Material weaknesses identified:	Yes.
Significant deficiencies:	None reported
Noncompliance material to the financial statements noted:	No.
Federal Awards:	
Internal control over major programs:	
Material weaknesses identified:	Yes.
Significant deficiencies identified:	Yes.

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

An unmodified opinion was issued on the County's compliance with its major federal programs for the year ended December 31, 2012, except for subrecipient monitoring that is applicable to its Community Development Block Grants/Entitlement Grants CFDA# 14.218 and cash management requirements applicable to its ARRA Homeless Prevention & Rapid Re-Housing Program CFDA# 14.257 for which the opinion on compliance was qualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: Yes.

Major Programs/Clusters

<u>Funding Source</u>	<u>Program</u>	<u>CFDA No.</u>
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants	14.218
U.S. Department of Housing and Urban Development	ARRA Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253
U.S. Department of Housing and Urban Development	ARRA Homeless Prevention & Rapid Re-housing Program	14.257
U.S. Department of Housing and Urban Development	Lead Hazard Reduction Demonstration Grant Program	14.905
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Grant	16.738
U.S. Department of Justice	ARRA Edward Byrne Memorial Justice Assistance Grant	16.804

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Funding Source</u>	<u>Program</u>	<u>CFDA No.</u>
U.S. Department of Justice	State Criminal Alien Assistance Program (SCAAP)	16.606
U.S. Department of Justice	ARRA Edward Byrne Memorial Justice Assistance Grant	16.803
U.S. Department of Justice	Equitable Sharing Program	16.922
U.S. Department of Transportation	Highway Planning and Construction	20.205
U.S. Department of Transportation	ARRA-Highway Planning and Construction	20.205
U.S. Department of Transportation	State and Community Highway Safety	20.600
U.S. Department of Health and Human Services	Temporary Assistance for Needy Families (TANF)	93.558
U.S. Department of Health and Human Services	Public Health Emergency Preparedness	93.069
U.S. Department of Health and Human Services	ARRA – Child Support Enforcement	93.563
U.S. Department of Health and Human Services	ARRA - Foster Care- Title IV-E	93.658
U.S. Department of Health and Human Services	Foster Care- Title IV-E	93.658
U.S. Department of Health and Human Services	Adoption Assistance	93.659
U.S. Department of Health and Human Services	ARRA Adoption Assistance	93.659
U.S. Department of Health and Human Services	Medicaid Cluster	93.778
U.S. Department of Health and Human Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959
Department of Homeland Security	Disaster Grants- Public Assistance (Presidentially Declared Disasters) (FEMA)	97.036
Department of Homeland Security	Homeland Security Grant Program	97.067

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Dollar Threshold Used to Distinguish Type A and Type B Programs: \$3,000,000

The County did not qualify as a low-risk auditee as defined in OMB Circular A-133.

II. FINANCIAL STATEMENT FINDINGS

Reference # 12-15 — RESTATEMENT

Criteria

In accordance with Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a participant in a cost-sharing multiple employer plan should recognize annual pension expenditures/expense equal to their contractually required contributions to the plans. Pension liabilities and assets result from the difference between contributions required and contributions made.

Condition

During the County Comptroller's 2013 year-end closing process, two misstatements relating to the County's pension plans were discovered, which affect the County's 2012 Comprehensive Annual Financial Report (CAFR). The first error resulted in a cumulative \$87.3 million understatement of the pension expense for the years 2006 – 2012, which also resulted in an overstatement of prepaid assets of \$97.9 million, as reported in the governmental funds statements. Additionally, there was an error in the calculation of the government-wide long-term liabilities for the amount that should have been accrued for pension expense and the amount owed to the New York State Retirement System for 2011 and 2012, which amounted to approximately \$89.9 million.

Cause

The County recognized as pension expense the amount that they paid and did not recognize their contractually required contributions to the plans.

Effect

The County's pension expense had a cumulative \$87.3 million understatement of the pension expense for the years 2006 – 2012, which also resulted in an overstatement of prepaid assets of \$97.9 million, as reported in the governmental funds statements. Additionally, there was an error in the calculation of the government-wide long-term liabilities for the amount that should have been accrued for pension expense and the amount owed to the New York State Retirement System for 2011 and 2012, which amounted to approximately \$89.9 million.

Recommendation

Internal control procedures (i.e., reconciliation of all pension account balances) need to be enhanced to ensure that this type of error is detected timely and properly recorded in the financial statements.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

View of Responsible Official

The County identified the errors and brought them to the attention of the County's independent auditors. The Comptroller's Office has contracted with an outside accounting firm to assist in the preparation of its annual financial statements, which adds another layer of review to the preparation process prior to the issuance of the CAFR.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Reference # 12-01

U.S. Department of Homeland Security:

New York State Office of Homeland Security:

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA# 97.036)

Homeland Security Grant Program (CFDA# 97.067)

New York State Emergency Management Office:

Citizen Corps (CFDA# 97.053)

Suffolk County Fire Rescue and Emergency Services:

Staffing for Adequate Fire and Emergency Response (SAFER) (CFDA# 97.083)

U.S. Department of Transportation:

New York State Department of Transportation:

Hazardous Material Emergency Planning Grant (CFDA# 20.703)

U.S. Environmental Protection Agency:

New York State Environmental Facilities Corporation:

Capitalization Grants for Waste Water Treatment Works (CFDA# 66.458)

ARRA - Capitalization Grants for Waste Water Treatment Works (CFDA# 66.458)

Criteria

The Federal Office of Management and Budget (OMB) issued OMB Circular A-133 pursuant to the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. OMB Circular A-133 requires nonfederal entities that expend \$500,000 or more in a year in federal awards to have a single audit conducted on its financial statements and Schedule of Expenditures of Federal Awards ("SEFA").

OMB Circular A-133 established the following responsibilities for the County's management:

- Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

- Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.
- Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs.
- Prepare appropriate financial statements, including the SEFA.
- Ensure that the audits required by this circular are properly performed and submitted within nine months after the end of the audit period.

Condition

The County departments that are responsible for administering and reporting the above-mentioned programs are not reconciling amounts reported as expenditures for Federal awards to the Schedule of Expenditures of Federal Awards (“SEFA”) on a timely basis. The departments need to develop control procedures to assure that the information provided for the SEFA is properly prepared from an accuracy and completeness point of view, on a timely basis.

Effect

Due to the deficiencies in internal control over the SEFA preparation noted above, misstatements occurred in the SEFA that were not detected by the individual departments’ internal controls and were subsequently corrected by management.

Cause

Reconciliations from the accounting records and submitted reimbursement requests were not prepared on a timely basis by the departments to be reported on the SEFA.

Recommendation

Departments preparing schedules to support the amount of expenditures for grant programs should reconcile such schedules to the County’s Nassau Integrated Financial System (“NIFS”) and records of submissions for reimbursements. Such schedules are then used in the preparation of the County’s SEFA. Such reconciliations should be performed on a timelier manner to ensure that all transactions are appropriate and that the prepared schedules are complete and accurate, in order for the SEFA to be submitted by the required deadline and not risk loss of future grant funding.

Questioned Costs

Cannot be determined.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

View of Responsible Official

The Office of Emergency Management (“OEM”) administers the grants listed above, which are funded by the U.S. Department of Homeland Security.

In response to these findings, OEM acknowledges that we did not submit requested 2012 Single Audit documents to Comptroller’s office by the requested due date of February 22, 2013. OEM has reviewed why this deficiency occurred and has planned corrective action to ensure the 2013 filing will be submitted on time.

Starting on Wednesday, October 24, 2012, OEM began preparations for the potential impacts of Hurricane Sandy. Although OEM staff have various day to day duties, we take on different roles during an emergency, and normal operations are postponed. In the case of Sandy, the worst disaster to hit the NYC metropolitan area in our lifetimes, several months passed before we could begin looking at normal operations. At the present time, we are still undertaking tasks related to Sandy recovery operations. In addition, in February 2013, OEM lost the services of our Senior Budget Examiner, deployed here from County OMB. As a result of these impacts, OEM was not able to be compliant with Comptrollers due date.

To correct this, OEM has contracted with Gibbons, Esposito, & Boyce Engineers (GEB HIRISE) to provide a qualified grant technician to OEM, relieving the Financial Systems Administrator of responsibility for duties related to grant reporting. This resource will be 100% dedicated to managing OEM’s grants and will not be utilized during emergency activations.

CFDA #66.458: The Department of Public Works (“DPW”) will prepare an action plan to prevent future similar findings. DPW is going to leverage the project detail functionality of NIFS in order to better segregate out Federally reimbursable expenses at the time of encumbrance, payment, and/or reimbursement request, to make the audit trail and reconciliation process easier. This will aid in, and simplify, the reconciliation process for CFDA # 66.458. DPW will also ensure that staff responsible for providing documentation will be given additional support, as needed, in order to comply with requests in a timely fashion.

Reference # 12-02

**U.S. Department of Health and Human Services:
New York State Department of Health:
Medicaid Cluster (CFDA# 93.778)**

Criteria

Allowable Costs/Cost Principles — To be an allowable expenditure of a federally funded program, a cost must:

- Be necessary and reasonable for proper and efficient administration of the grant program.
- Be authorized or not prohibited under State or local laws or regulations.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

- Conform to any limitations or exclusions set forth in the Federal Office of Management and Budget (OMB) Circular A-87 principles, Federal laws, or other governing limitations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other activities of the city government.
- Be accorded consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances.
- Not be allocable to or be included as a cost of any other federally financed program in either the current or prior period.
- Be net of all applicable credits.
- Be supported by underlying documentation (OMB Circular A-87).

Condition

The Department of Social Services Supervisor did not certify employee time sheets, as required by the end of each payroll period, for 9 individuals out of the 40 samples selected for testing.

Effect

This could result in incorrect hours being charged to the program.

Cause

The County Supervisors were unable to certify/approve all employees' time sheets on a timely basis, as required, at the end of each payroll period.

Recommendation

Department Supervisors need to certify/approve their employee's time sheets as required at the end of each payroll period.

Questioned Costs

The amount of questioned costs is \$21,494.

View of Responsible Official

This finding was identified during the prior year's Single Audit and corrective action was completed in September 2012. The conditions identified during this year's audit process were for instances occurring in 2012 prior to the application of the corrective action. It should be stated that time sheets having dates subsequent to the corrective action were found to be compliant.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Reference # 12-03

**U.S. Department of Housing and Urban Development:
ARRA Homeless Prevention and Rapid Re Housing Program (CFDA# 14.257)**

**U. S. Department of Housing and Urban Development:
Lead Hazard Reduction Demonstration Grant Program (CFDA# 14.905)**

**U.S. Department of Health and Human Services:
New York State Office of Alcohol and Substance Abuse Services:
Block Grants for Prevention and Treatment of Substance Abuse (CFDA# 93.959)**

Criteria

The Federal OMB issued OMB Circular A-133 pursuant to the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. OMB Circular A-133 requires nonfederal entities that expend \$500,000 or more in a year in federal awards to have a single audit conducted on its financial statements and SEFA.

OMB Circular A-133 established the following responsibilities for the County's management:

- Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- Prepare appropriate financial statements, including the SEFA.
- Ensure that the audits required by this circular are properly performed and submitted within nine months after the end of the audit period.

Condition

During our audit, we noted that certain County employees, who are responsible for managing the above noted programs, did not have a comprehensive understanding of the internal control over Federal programs that could have a material effect on each of its Federal programs. Internal controls provide reasonable assurance that the County is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Effect

Potential use of federal funds for unallowable costs. Potential improper reporting, improper matching, procurement policies, uncertified vendors, improper use of equipment, improper use of construction contracts, and ineligible recipients which are the basis for the compliance requirements from the OMB A-133 Circular.

Cause

The County employees who are responsible for overseeing grant programs did not have comprehensive training in internal controls and compliance requirements.

Recommendation

The staff and directors of the departments should review the compliance requirements from the OMB circular compliance supplement found online. The departments should have training to help them be more knowledgeable with each of these compliance requirements and if they are applicable to grant/programs for their departments. Additionally, a checklist should be utilized to ensure that all the applicable compliance requirements are being met.

Questioned Costs

None.

View of Responsible Official

CFDA # 93.959: The Department will review the compliance regulations from the OMB circular compliance supplement found online with its staff. We have instituted a checklist with the above grant for 2013 which is similar to the one used by our Office for the Aging section.

CFDA # 14.257 and 14.905: Ongoing training efforts will be strengthened, and the necessary steps will be taken to ensure that the requirements contained in the compliance checklist implemented by the County in 2013, are fully understood.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Reference # 12-04

U.S. Department of Housing and Urban Development: Community Development Block Grants/ Entitlement Grants (CFDA# 14.218)

Criteria

Subrecipient Monitoring — A pass-through entity is responsible for ensuring that subrecipients expend awards in accordance with applicable laws, regulations, and provisions of contracts or grants. Federal Office of Management and Budget (OMB) Circular A-133 requires a pass-through entity to perform the following for the Federal awards it provides to subrecipients:

- Identify the Federal awards made by informing each subrecipient of the Catalog of Federal and Domestic Assistance (CFDA) title and number, the award's name and number, the award year, whether the award is for research and development (R&D), and the name of the Federal agency. When some of this information is not available, the pass-through entity should provide the best information available to describe the Federal award.
- Advise subrecipients of the requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements, as well as any supplemental requirements imposed by the pass-through entity.
- Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements; and, that performance goals are achieved.
- Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of Federal OMB Circular A-133 for that fiscal year.
- Issue management decisions on audit findings within six months after receipt of subrecipients' audit, and ensure that subrecipients take appropriate and timely corrective action.
- Consider whether subrecipient audits necessitate the adjustment of the pass-through entity's own records.
- Require subrecipients to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with Federal OMB Circular A-133.
- Keep subrecipients' report submission (or other written notification when the subrecipient is not required to submit a reporting package) on file for three years from the date of receipt.

Condition

The County is responsible for monitoring compliance with provisions of the Subrecipients. Of the four files selected for review that would require such subrecipient monitoring, we were not provided documentation to assess completion of Subrecipient requirements for all files; therefore, we were unable to evaluate the County's activities in this regard.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Effect

The department was unable to provide substantial documentation to support that sub-recipients expending over \$500,000 obtained an A-133 audit.

Cause

The County does not have a process in place in order to ensure that sub-recipients expending over \$500,000 obtained an A-133 audit.

Recommendation

The department should have a process in place to obtain, read, and maintain copies of the auditor's reports for subrecipients, which would assure that subrecipients are in compliance with the requirements of OMB Circular A-133 and such actions would satisfy the U.S. agency's requirement to monitor subrecipients.

Questioned Costs

Cannot be determined.

View of Responsible Official

The Office of Housing and Community Development ("OHCD") believes that, in accordance with HUD requirements, OHCD regularly monitors sub-recipients for compliance with all applicable regulations. However, OHCD will establish a process to ensure that A-133 audit reports are received from sub-recipients who are required to file a report, certification from those who are not required to file, and ensure all steps to satisfy sub-recipient compliance are taken.

Reference # 12-05

U.S. Department of Housing and Urban Development: ARRA Homeless Prevention & Rapid Re-Housing Program ("HPRP") (CFDA# 14.257)

Criteria

Cash Management – The County is required to utilize the Integrated Disbursement and Information System (IDIS) to draw down HPRP funding and report grant expenditures.

Condition

The County is responsible for monitoring compliance with provisions of cash management and maintains policies and procedures to fulfill grant requirements. With respect to our samples selected, we were not provided documentation to support the drawdowns for reimbursement of certain expenditures.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

We reviewed the HPRP Financial Summary Report for reasonableness, however we were unable to verify the completeness of this schedule as there is no procedure within the department to accurately match expenditures to draw downs for this program. We were able to obtain a list from the IDIS website showing all drawdowns activated throughout the grant period, however we were not able to obtain sufficient detail from the department to reconcile to the list of drawdowns from IDIS.

Effect

Files may be incomplete and therefore unsubstantiated reimbursement of costs.

Cause

The County's lack of appropriate documentation at the department level.

Recommendation

Proper documentation should be maintained by the Nassau County Office of Housing and Community Development to substantiate drawdowns.

Questioned Costs

None.

View of Responsible Official

OHCD will internally develop procedures and work with the Office of Management and Budget, with the assistance of the County Comptroller's Office, to implement those procedures to ensure that drawdowns are substantiated by proper, auditable documentation.

Reference # 12-06

U.S. Department of Housing and Urban Development: ARRA Homeless Prevention & Rapid Re-Housing Program (CFDA# 14.257)

Criteria

Allowable Costs/Cost Principles — To be an allowable expenditure of a federally funded program, a cost must:

- Be necessary and reasonable for proper and efficient administration of the grant program.
- Be authorized or not prohibited under State or local laws or regulations.
- Conform to any limitations or exclusions set forth in the Federal Office of Management and Budget (OMB) Circular A-87 principles, Federal laws, or other governing limitations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other activities of the city government.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

- Be accorded consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances.
- Not be allocable to or be included as a cost of any other federally financed program in either the current or prior period.
- Be net of all applicable credits.
- Be supported by underlying documentation (OMB Circular A-87).

Condition

There was insufficient supporting documentation for the Homeless Prevention & Rapid Re-Housing Program to reconcile draw-downs to related disbursements to assure completeness and accuracy of the expenditure.

Effect

The cost may be disallowed by the grantor agency.

Cause

Lack of proper documentation and review at the department level.

Recommendation

The Nassau County Office of Housing and Community Development should ensure that proper documentation is maintained to document drawdowns to match the disbursements. Also, there should be an enhanced review process to ensure completeness and accuracy of the supporting documentation of the drawdowns.

Questioned Costs

Cannot be determined.

View of Responsible Official

As stated in the response to the prior finding, OHCD will internally develop procedures and work with the Office of Management and Budget, with the assistance of the County Comptroller's Office, to implement those procedures to ensure that drawdowns are properly documented. The supervisory review process will be addressed as part of this undertaking.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Reference # 12-07

U.S. Department of Health and Human Services:

New York State Office of Children and Family Services:

ARRA and Non-ARRA Foster Care – Title IV – E (CFDA# 93.658)

ARRA and Non-ARRA Adoption Assistance (CFDA# 93.659)

New York State Office of Temporary and Disability Assistance:

Temporary Assistance for Needy Families (TANF) (CFDA# 93.558)

Criteria

Eligibility — To be eligible for the federally funded program, an applicant must provide appropriate documentation including certification as to the truth of the data provided in their application, proper identification, marital status, residence, household composition/size, age, relationship to their children and related ages, information on children attending school (ages 16-18), social security number, absent/death of parent(s), absent parent(s) information, citizenship and alien status, earned income, other expenses/dependent care costs, unearned income, shelter expenses, medical expenses, finger imaging, and their disabled/incapacity/pregnant status.

Condition

During our review of the program's eligibility, we were not provided with all required supporting documentation selected for testing for the following programs:

- ARRA and Non ARRA Foster Care – Title IV — E: 1 of the 13 samples selected for testing;
- Temporary Assistance for Needy Families (TANF): 7 of the 21 samples selected for testing;
- ARRA and Non ARRA Adoption Assistance: 4 of the 32 samples selected for testing.

Effect

Ineligible applicants could receive assistance from the Federal Program.

Cause

Lack of appropriate documentation at the department level.

Recommendation

Proper documentation should be maintained by the Department to substantiate eligibility of applicants.

Questioned Costs

Cannot be determined.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

View of Responsible Official

The Department of Social Services (“DSS”) processed approximately 272,000 of direct payments to clients in 2012. Each direct payment requires a 3209 Form to create the payment in BICS. The 3209 Form is signed by the worker and approved by a supervisor. The same 3209 Form can be used for multiple payments for the same client as well as for a recurring benefit, which is good for up to a six month period. Since the 3209 Form is used for multiple payments it can be filed in numerous different places; the 3209 Forms are filed by month.

DSS’ Accounting Department does its best to accurately file the 3209 Forms but due to the volume it is possible to have some misfiled, which is why we were not able to locate those that were requested for review. We will review our filing procedures and make improvements, if any are deemed appropriate.

Reference # 12-08

U.S. Department of Housing and Urban Development: Lead Hazard Reduction Demonstration Grant Program (CFDA# 14.905)

Criteria

To be eligible to apply for the Lead Hazard Reduction Demonstration Program, the applicant must be a city, county, or other unit of local government. States and Indian Tribes may apply on behalf of units of local government within their jurisdiction, if the local government designates the state or the Indian Tribe as their applicant. Multiple units of a local government (or multiple local governments) may apply as part of a consortium; however, you must identify a prime applicant that will be responsible for ensuring compliance with all requirements specified in the Notice of Funds Availability (“NOFA”). State government and Native American tribal applicants must have an Environmental Protection Agency (“EPA”) approved State Program for certification of lead-based paint contractors, inspectors, and risk assessors in accordance with 40 CFR 745 in effect on the application deadline date to be eligible to apply for Lead Hazard Reduction Demonstration Grant funds.

Beneficiary Eligibility (082). Occupants and owners of eligible target housing, Section 1011(a) of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X), Lead Hazard Reduction Demonstration Grants shall be for lead-based paint hazard control in this housing. Funds shall be available only for projects conducted using contractors and inspectors certified, and workers trained through an EPA authorized program. Selected beneficiaries must comply with all eligibility criteria and all applicable restrictions presented in the Appropriation language and with all requirements presented in the NOFA.

Condition

Of the 10 eligibility case files selected for our review, we noted that none of the 10 case files indicated supervisory review in determining income eligibility for LHRD program recipients. This

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

review is supposed to show a supervisory signoff that indicates certification of recipient eligibility for the program.

Additionally, we were not provided documentation support for one out of the 10 case files selected for our review, in order to determine eligibility.

Effect

Claims could be made on behalf of ineligible recipients.

Cause

The County did not ensure that all required eligibility forms were filed and signed timely.

Recommendation

Supporting eligibility documentation and documentation of supervisory review process should be maintained for determining income eligibility for the LHRD program. This review should include a signoff indicating that the program director and supervisor completed this activity.

Questioned Costs

Cannot be determined.

View of Responsible Official

OHCD will review and improve current procedures so that in the future, supervisory approval of recipient eligibility, including income thresholds, is documented and readily available for all LHRD program recipients.

Reference # 12-09

U.S. Department of Housing and Urban Development: Lead Hazard Reduction Demonstration Grant Program (CFDA# 14.905)

Criteria

Matching — *Matching* or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Condition

As December 31, 2012, it does not appear likely that the matching requirement will be met. The questioned costs are determined at December 31, 2012 by the difference of the costs not matched at that time. Based on the drawdowns made as of December 31, 2012, the County was required to match \$386,515 but had only matched \$297,874.

Effect

Grant amounts unmatched and unused may need to be repaid.

Cause

The County did not ensure that all matching requirements were met.

Recommendation

The County should implement a system to ensure that all matching requirements are on target and will be met by the end of the grant term so as not to be required to repay the grant.

Questioned Costs

As of December 31, 2012, the questioned costs are \$88,641.

View of Responsible Official

OHCD will internally develop procedures and work with the Office of Management and Budget, with the assistance of the Comptroller's Office, to implement those procedures to ensure the appropriate timing of County match spending.

Reference # 12-10

**U.S. Department of Housing and Urban Development:
New York State Housing Finance Agency:
Neighborhood Stabilization Program (NSP1) (CFDA# 14.228)**

Criteria

The Federal Office of Management and Budget (OMB) issued OMB Circular A-133 pursuant to the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. OMB Circular A-133 requires nonfederal entities that expend \$500,000 or more in a year in federal awards to have a single audit conducted on their financial statements and Schedule of Expenditures of Federal Awards ("SEFA").

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

- OMB Circular A-133 established the following responsibilities for the County's management:
- Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.
- Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.
- Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs.
- Prepare appropriate financial statements, including the SEFA.
- Ensure that the audits required by this circular are properly performed and submitted within nine months after the end of the audit period.

Condition

The Office of Housing and Community Development ("OHCD") is responsible for administering and reporting the Neighborhood Stabilization Program (NSP1). The program has received federal funding during the year, however, the program was not identified on the Schedule of Expenditures of Federal Awards ("SEFA") because the department had classified it as State Aid rather than Pass Through Federal Aid.

Effect

The original 2012 SEFA submitted to us was not accurate and complete, because this program had not been included, therefore Federal expenditures were understated by \$167,761. The SEFA was subsequently corrected by the Comptroller's Office.

Cause

OHCD lacks the proper review of which programs had federally reported expenditures.

Recommendation

The Department needs to correctly classify the programs receiving federal funding and provide that information along with a reconciliation of the expenditures to the NIFS system on a timely basis, as it is used in the preparation of the County's SEFA. Such reconciliations should be reviewed for accuracy and completeness

Further, OHCD should strengthen its review surrounding expenditures that are posted to NIFS. This would facilitate the reconciliation process and ensure accurate/complete reporting on the SEFA.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Questioned Costs

Cannot be determined.

View of Responsible Official

OHCD will internally develop procedures and work with the Office of Management and Budget, with the assistance of the County Comptroller's Office, to implement those procedures to ensure that all programs required to be included in the Schedule of Expenditures are identified, reported accurately, and reconciled in a timely manner.

Reference # 12-11

**U.S. Department of Housing and Urban Development:
Lead Hazard Reduction Demonstration Grant Program (CFDA# 14.905)**

**U.S. Department of Justice:
Equitable Sharing Program (CFDA# 16.922)**

Criteria

Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria.

Condition

Before a contract is awarded, the County should check to determine if there is a Limited Denial of Participation or if a contractor has been debarred or suspended.

The County is responsible for monitoring compliance with provisions of procurement and maintaining policies and procedures to fulfill grant requirements. With respect to our testing of procurement requirements and discussions with key management, it was noted that there was no review for the procurement of contractors to determine if they were listed on the Excluded Party List System (the "EPLS system"). While the procedure was not performed, no situations were identified where the County had selected a contractor that was on the EPLS system.

Effect

The contractors used may have been debarred or suspended.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Recommendation

The County should implement a system to utilize the EPLS system for all procurements to ensure federal funds are expended by approved contractors.

Questioned Costs

Cannot be determined.

View of Responsible Official

CFDA # 14.905: OHCD has a policy in place to screen for debarred or suspended contractors on all grants. Using the Excluded Parties List System, OHCD will take steps to ensure this policy is adhered to and that the result of this research is documented.

A County-wide procedure will be implemented to ensure that all procurement, whether competitive or sole source, uses the Excluded Parties List System, to ensure that the County does not transaction with parties that are suspended or debarred or whose principals are suspended or debarred. County Senior Management will take steps to ensure this policy is adhered to and that the evidence of this research is documented with all procurement.

Reference # 12-12

U.S. Department of Transportation:

New York State Department of Transportation:

Highway Planning and Construction (CFDA# 20.205)

ARRA Highway Planning and Construction (CFDA# 20.205)

Criteria

The Federal Office of Management and Budget (OMB) issued OMB Circular A-133 pursuant to the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. OMB Circular A-133 requires nonfederal entities that expend \$500,000 or more in a year in federal awards to have a single audit conducted on its financial statements and Schedule of Expenditures of Federal Awards ("SEFA").

OMB Circular A-133 established the following responsibilities for the County's management:

- Identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.
- Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

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- Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its federal programs.
- Prepare appropriate financial statements, including the SEFA.
- Ensure that the audits required by this circular are properly performed and submitted within nine months after the end of the audit period.

Condition

The Department of Public Works is responsible for administering and reporting the Highway Planning and Construction Program. The provided expenditure detail related to Federal awards should reconcile to the amounts reported on the Schedule of Expenditures of Federal Awards (“SEFA”) on a timely basis. Expenditures were double-counted in the expenditure detail for the ARRA portion of the program, which led to an overstatement of the amount reported in the SEFA.

Effect

The selection process was delayed significantly due to the delay in the reconciliation process. Further, the SEFA was not accurate and Federal expenditures were overstated by \$504,333.

Cause

Reconciliations from the accounting records and submitted reimbursement requests were not prepared on a timely basis by the department to be reported on the SEFA, and the expenditure detail provided was not reviewed for accuracy.

Recommendation

Departments preparing schedules to support the amount of expenditures for grant programs should reconcile such schedules to the County’s NIFS system and records of submissions for reimbursements. Such schedules are then used in the preparation of the County’s SEFA. Such reconciliations should be performed on a timelier manner to ensure that all transactions are appropriate and that the prepared schedules are complete and accurate.

Questioned Costs

None

View of Responsible Official

The Department of Public Works will prepare an action plan to prevent future similar findings, regarding the delay in reconciliation and the overstatement in the SEFA. The Department is going to leverage the project detail functionality of NIFS in order to better segregate out Federally reimbursable expenses at time of encumbrance, payment, and/or reimbursement request, to make the audit trail and reconciliation process easier. This will aid in and simplify the reconciliation process. With the transition from cash receipt based reporting to a modified accrual based reporting, the Department will be more proactive in completing its year end accrual process in order to better

COUNTY OF NASSAU, NEW YORK

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facilitate this reporting, and prevent prior year revenue from being reported on the SEFA in the future.

Reference # 12-13

U.S. Department of Homeland Security:

New York State Office of Homeland Security:

**Disaster Grants- Public Assistance (Presidentially Declared Disasters)
(CFDA#97.036)**

Criteria

The Program-specific audit guide, Disaster Grants - Public Assistance Compliance Supplement, requires this program to report an SF-425 Report showing the totals of Federal Cash, Federal Expenditures, Recipients Share, and Program Income.

Condition

This program did not report an SF-425 report. D&T was unable to obtain an extension filed for this report.

Effect

This could result in a lack of tracking expenditures, federal cash, recipients share, and program income.

Cause

The County was unable to supply a SF-425 report.

Recommendation

The County should establish procedures to meet reporting requirements.

Questioned Costs

None.

View of Responsible Official

As part of the procedural improvements indicated in the Corrective Action Plan, Management will identify responsibility for completing future SF-425 reports and implement processes to ensure all necessary data forms are completed when required.

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Reference # 12-14

U.S. Department of Housing and Urban Development: Community Development Block Grants/ Entitlement Grants (CFDA# 14.218)

Criteria

Internal Controls — To maintain internal control over Federal programs, a program must:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition

The Office of Housing and Community Development (“OHCD”) does not perform a significant review over program income being recorded. Of the five selections tested, one was noted as having 2011 Revenue recorded in 2012. This represents an incorrect amount posted to the subrecipient program income account within IDIS, and therefore no sufficient review of program income is performed by key management.

Effect

This could result in the recording of revenue in the incorrect periods and incorrect program income provided to subrecipients.

Cause

OHCD has insufficient review of program income over the departments specified above.

Recommendation

OHCD should have key management reviewing program income to ensure transactions are being booked appropriately.

Questioned Costs

Cannot be determined.

View of Responsible Official

OHCD will internally develop procedures and work with the Office of Management and Budget, with the assistance of the County Comptroller’s Office, to establish those procedures to ensure that program revenues are recognized in the correct fiscal year and appropriately reviewed by management.

COUNTY OF NASSAU, NEW YORK

FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

IV. STATUS OF PRIOR YEAR'S FINDING

Reference # 11-01

U.S. Department of Agriculture:
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC Program) (CFDA# 10.557)

U.S. Department of Homeland Security:
Community Disaster Loans (CFDA# 97.030)
Emergency Management Performance Grants –EMPG (CFDA# 97.042)

U.S. Department of Education:
Early Intervention Services (IDEA) Cluster (CFDA# 84.393, 84.181)

U.S. Environmental Protection Agency:
Capitalization Grants for Clean Water State Revolving Funds (CFDA# 66.458)

U.S. Department of Health and Human Services:
New York State Department of Health:
Medicaid Cluster (CFDA# 93.778)
Temporary Assistance for Needy Families- TANF- (CFDA# 93.558)

U. S. Department of Housing and Urban Development:
Lead Hazard Reduction Demonstration Grant (CFDA# 14.905)

U.S. Election Assistance Commission:
Help America Vote Act (CFDA# 90.401)

The County departments that are responsible for administering and reporting the above-mentioned programs are not reconciling amounts reported as expenditures for Federal awards to the Schedule of Expenditures of Federal Awards (“SEFA”) on a timely basis. Several adjustments were required to correctly report the amounts shown on the SEFA. The departments need to develop control procedures to assure that the SEFA is properly prepared from an accuracy and completeness point of view.

This is still a finding in 2012 for other programs. See Reference #12-01.

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Reference # 11-02

U.S. Department of Health and Human Services:

ARRA and Non ARRA Foster Care – Title IV – E (CFDA# 93.658)

ARRA Adoption Assistance (CFDA# 93.659)

New York State Department of Health:

Medicaid Cluster (CFDA# 93.778)

The Department of Social Services supervisor did not certify employee time sheets as required at the end of each payroll period for 13 individuals out of the 69 samples selected for testing.

This was still a finding in 2012 for CFDA # 93.778. See Reference # 12-02.

Reference # 11-03

U.S. Department of Homeland Security:

Community Disaster Loans (CFDA# 97.030)

U.S. Department of Housing and Urban Development:

ARRA Homeless Prevention and Rapid Re Housing Program (CFDA# 14.257)

U.S. Department of Transportation:

Federal Transit Cluster (CFDA# 20.507)

Highway Planning & Construction Cluster (CFDA# 20.205)

U.S. Department of Energy:

ARRA Energy Efficiency and Conservation Block Grant (CFDA# 81.128)

U.S. Environmental Protection Agency:

Capitalization Grants for Clean Water State Revolving Funds (CFDA# 66.458)

U. S. Department of Housing and Urban Development:

Lead Hazard Reduction Demonstration Grant (CFDA# 14.905)

U.S. Department of Health and Human Services:

Block Grants for Prevention and Treatment of Substance Abuse (CFDA# 93.959)

During our audit, we noted that certain County employees that are responsible for managing the above noted programs did not have a comprehensive understanding of internal control over Federal programs that provides reasonable assurance that the county is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

This is still a finding in 2012 for CFDA # 14.257, CFDA # 14.905 and CFDA # 93.959. See Reference #12-03.

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Reference # 11-04

**U.S. Department of Housing and Urban Development:
Community Development Block Grants/ Entitlement Grants (CFDA# 14.218)**

**U.S. Department of Health and Human Services:
Block Grants for Prevention and Treatment of Substance Abuse (CFDA# 93.959)**

The County is responsible for monitoring compliance with provisions of the Subrecipients. Of the 9 files selected for review, we were not provided documentation to assess completion of Subrecipient requirements for all files; therefore, we were unable to evaluate the County's activities in this regard. This is still a finding in 2012 for CFDA # 14.218. See Reference #12-04.

Reference # 11-05

**U.S. Department of Housing and Urban Development:
ARRA Homeless Prevention & Rapid Re-Housing Program ("HPRP") (CFDA# 14.257)**

The County is responsible for monitoring compliance with provisions of cash management and maintains policies and procedures to fulfill grant requirements. With respect to our samples selected, we were not provided documentation to support the drawdowns for reimbursement of certain expenditures.

This was still a finding in 2012. See Reference # 12-05.

Reference # 11-06

**U.S. Department of Housing and Urban Development:
ARRA Homeless Prevention & Rapid Re-Housing Program (CFDA# 14.257)**

**U.S. Department of Housing and Urban Development:
Community Development Block Grants/ Entitlement Grants (CFDA# 14.218)**

**U.S. Department of Housing and Urban Development:
Lead Hazard Reduction Demonstration Grant (CFDA# 14.905)**

Certain costs related to the prior period were recorded in the 2011 Schedule of Expenditures of Federal Awards ("SEFA").

This finding has been corrected and is not a finding in 2012.

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FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Reference # 11-07

U.S. Department of Homeland Security: Community Disaster Loans (CFDA# 97.030)

During our review of the program's allowable cost, we were not provided supporting documentation for 1 of the 40 samples selected for our review.

This finding has been corrected and is not a finding in 2012.

Reference # 11-08

U.S. Department of Housing and Urban Development: Lead Hazard Reduction Demonstration Grant (CFDA# 14.905)

Of the 17 eligibility case files selected for our review, we noted that none of the 17 case files indicated supervisory review in determining income eligibility for LHRD program recipients. This review is supposed to show a supervisory signoff that indicates certification of recipient eligibility for the program.

This is still a finding in 2012. See Reference # 12-08.

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SINGLE AUDIT CORRECTIVE ACTION PLAN

Various Nassau County Departments

Fiscal Year 2012

Finding #'s	12-01, 12-03, 12-04, 12-05, 12-06, 12-08, 12-09, 12-10, 12-11, 12-12, 12-13, 12-14
Step 1	<p>Management will develop comprehensive procedures to ensure that County departments meet all compliance requirements on a timely basis. The goals include ensuring that County departments understand and comply with all requirements in addition to eliminating future Single Audit report findings.</p> <p>In the “View of Responsible Official” sections, a number of County departments identified corrective actions to be taken internally. Additionally, management will meet with the Office of the County Comptroller (and County’s independent auditors from Deloitte and Touche, if necessary). All findings from the 2012 Single Audit report will be reviewed and preliminary procedures to address each of the problems identified will be drafted. OMB federal award guidance, the Compliance Requirements Checklist developed by the County in 2013, and use of the County’s automated financial system will be included.</p>
Action Date	To be completed by November 30, 2013
Step 2	<p>Management and the Comptroller’s Office will meet with all the County departments for which there were findings. The preliminary procedures drafted in Step 1 will be finalized and approved by those departments.</p>
Action Date	To be completed by January 31, 2014
Step 3	<p>If deemed necessary after Step 2, additional training by independent CPA professionals will be provided to all County departments receiving Federal awards.</p>
Action Date	To be completed by February 28, 2014
Final Implementation Date	February 28, 2014

	<p>12-02</p> <p>See “View of Responsible Official” – the related Corrective Action Plan was completed September 2012.</p> <p>12-07</p> <p>See “View of Responsible Official – the reported condition appears to be the result of filing a tremendous volume of paperwork. Filing procedures will be reviewed and refined if deemed necessary.</p>
Name and Phone # of Person Responsible for Implementation	<p>Randy Ghisone Assistant Director of Management and Budget (516) 571-4221</p>

SINGLE AUDIT CORRECTIVE ACTION PLAN

Fiscal Year 2012

Finding #	12-15 - RESTATEMENT
Step 1	The County has contracted with an outside accounting firm to assist with the preparation of the County's Comprehensive Annual Financial Report ("CAFR"). This will add an additional level of review beyond the internal review and the independent auditors.
Action Date	Ongoing - The firm assisted the County with its 2013 CAFR.
Step 2	County Management will work closely with the County Comptroller's Office, which is responsible for the preparation of the County's CAFR, to ensure that all transactions and/or changes to current policies/procedures having a reporting effect are properly reflected in the County's CAFR.
Action Date	Ongoing
Name and Phone # of Person Responsible for Implementation	Lisa S. Tsikouras County Director of Accounting (516) 571-0210