NASSAU COUNTY
OFFICE OF THE COMPTROLLER

2013 MID-YEAR REPORT
ON THE COUNTY'S FINANCIAL CONDITION

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Nassau County Comptroller

August 7, 2013

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Table of Contents

Exhibits

REPORT ON THE COUNTY'S FINANCIAL CONDITION FOR THE FIRST SIX MONTHS OF FISCAL YEAR 2013

1.0 EXECUTIVE SUMMARY

The Nassau County Charter requires that the Comptroller report on the status of the budget for the first six months of the current fiscal year and give an opinion concerning whether there will be a surplus or deficit at year-end. This report is required by §402 (9) of the County Charter.[1]

The 2013 mid-year financial projections indicate that the County will end with a $5.6 million budgetary surplus in the primary operating funds (see Exhibit 1). The surplus is due to increased revenues from the improving economy in Nassau County and the region, as reflected in increased sales tax revenues (up 10.4% year to date and projected to end up 7.2%), reduced unemployment at 6% and a decline in Social Service expenses, and expenses related to the Early Intervention/Pre-School program. These positive factors out-weigh the $25.7 million in lower State and Federal Aid due to lower Social Service and Health Department expense reimbursements and the additional expense projected for property tax refunds.

Under the presentation basis prescribed by the Nassau County Interim Finance Authority ("NIFA"), which excludes other financing sources and uses, the County would be ending the year with a negative $119.6 million (see Exhibit 2), an increase of 39.9% over 2012 but a 35.1% improvement from 2009 under the Suozzi Administration. The increase over 2012 is primarily due to the higher bonding for property tax refunds and the payment of the MTA judgment.

Unreserved fund balance for the primary operating funds on a budgetary basis is projected at $87.6 million as of 2013 year-end, up from $82.0 million at 2012 year-end (see Exhibit 5).

The County's other major fiscal fundamental, the structural gap (the difference between recurring operating revenues and expenses), continues its year-over-year improvement since 2009, as shown in Exhibit 3. The structural gap is projected at $54.4 million, down from $116.9 million in 2012 – a 53.5% improvement - and down from $251.6 million in 2009 - a 78.4% improvement, under the previous Administration.

The improving economy in Nassau County and the region, as reflected in increased sales tax revenues (up 10.4% year-to-date), reduced unemployment at 6% and a decline in Social Service cases and related expenses, is expected to continue and reverse prior year concerns regarding diverging trends between stagnant revenues and rising costs.

The liability for property tax refunds appears to have been addressed and is expected to decline. The payment of $88 million in property tax refunds projected in 2013 will reduce the

[1] The Comptroller reports on the status of the budget for the County's primary operating funds: the General, Fire Safety, Debt Service, Police Headquarters and Police District Funds.

long-term property tax refund liability from its current level of $297.2 million at year-end 2012 to about $289.2 million, after estimated additions of $80 million during 2013.

General obligation debt issuances for 2013, excluding debt for sewer projects, are projected to be approximately $303 million, assuming the $65 million in proposed bonding for property tax refunds and police termination pay will be foregone and paid by recurring revenues. Of the borrowing, $104 million is for Superstorm Sandy-related recovery and approximately $200 million is for capital projects. However, $40 million will still be bonded for property tax refunds and are included in the budgetary results.

At year-end 2012, the total of County general obligation (excluding debt for Sewer District projects) and NIFA bonds debt was $2.7 billion. The debt service for principal, interest and financing costs relating to this debt was $366.3 million. The 2013 anticipated borrowing (excluding $65 million for property tax refunds and termination pay) will increase the County's general obligation and NIFA bonds (excluding Sewer District borrowings) outstanding from $2.7 billion to approximately $3.0 billion.

The wage freeze court challenge continues as a risk that may have an impact to the County's operations going forward and should be addressed in the 2014 Multi-Year Plan or resolved. However, this risk has been diminished because of the County's growing fund balance and rising sales tax revenues from the improving economy.

EXHIBIT 1

Revenue and Obligations Forecast for 2013*

($'s millions)

	2013 Budget	2013 Projected Actual	Variance	
Revenues				
Fines & Forfeitures				
Red Light Cameras	$31.0	$33.0	$2.0	
Other Traffic & Parking	24.1	21.0	(3.1)	
Forfeited Bail & Fines	2.9	1.3	(1.6)	
Alarm Permit Fines	2.8	1.2	(1.6)	
Other Fines & Forfeitures	1.7	1.5	(0.2)	($4.5)
Rents & Recoveries	27.6	24.9		(2.7)
Departmental Revenue				
Ambulance Fees	24.4	24.4	0.0	
Correctional Center	8.3	2.8	(5.5)	
Assesment Department	3.1	0.0	(3.1)	
Parks Department	20.3	18.4	(1.9)	
Tow Truck Franchise Revenue	1.7	0.5	(1.2)	
Other Departmental Revenue	120.4	120.6	0.2	(11.5)
Sales Tax	1,121.3	1,149.9		28.6
State Aid	232.4	217.1		(15.3)
Federal Aid	156.2	145.8		(10.4)
Fund Balance	10.0	10.0		0.0
Other	1,003.1	1,003.8		0.7
Total Revenue	**2,791.3**	**2,776.2**		**(15.1)**
Expenses				
Payroll and Fringe Benefits (excluding Overtime below)	1,220.1	1,205.6		14.5
Overtime (Police Department and Correctional Center)	60.2	74.2		(14.0)
Social Services	442.0	424.9		17.1
Debt service	363.6	349.1		14.5
Contractual Expense	221.1	223.5		(2.4)
Early Intervention / Pre School	169.9	154.9		15.0
Contingencies	12.1	0.0		12.1
Property Tax Refunds	18.0	48.0		(30.0)
FEMA (10% Match)	0.0	4.5		(4.5)
Other	284.3	285.9		(1.6)
Total Expense	**$2,791.3**	**$2,770.6**		**20.7**
Estimated Results on a Budgetary Basis				**$5.6**

	Police District	Other Funds	
Estimated Results by Taxpayer Base on a Budgetary Basis	**($7.1)**	**$12.7**	**$5.6**

* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Prevention, Safety, Communication & Education Fund
Debt Service Fund (not including sewer debt)

EXHIBIT 2

County Financial Results on a NIFA Prescribed Presentation Basis 2009 - 2013 (projected)*

BUDGETARY RESULTS 2009 - 2013 (projected)*
($'s millions)

	2013 (projected)	2012	2011	2010	2009
Surplus (Deficit) on a Budgetary Basis	**$5.6**	**$41.5**	**($50.4)**	**$26.6**	**($0.1)**

CALCULATION OF NIFA PRESCRIBED PRESENTATION BASIS 2009 - 2013*
($'s millions)

	2013 (projected)	2012	2011	2010	2009
Net Change in Fund Balance - modified accrual basis	$5.6	$28.8	($85.6)	$26.6	$11.2
Less: adjustments included in other financing sources					
Premium on bonds	5.6	8.4	9.3	28.4	27.0
Investment income	2.1	1.1	1.6	1.0	1.2
Borrowed funds to pay Property Tax Refunds	40.0	14.7	21.0	42.5	64.5
Borrowed funds to pay Other Judgments	49.3	20.0	4.6	30.4	11.5
Borrowed funds to pay Termination Pay	4.7	33.1	17.7	80.0	77.7
Transfer of revenue from other funds to offset debt expense	23.5	37.0	33.6	17.3	13.6
Total other financing sources/uses to be eliminated	125.2	114.3	87.8	199.6	195.5
NIFA Prescribed Presentation Basis	**($119.6)**	**($85.5)**	**($173.4)**	**($173.0)**	**($184.3)**

* Includes: General Fund, Police Headquarters Fund, Police District Fund, Fire Prevention, Safety, Communication & Education Fund Debt Service Fund (not including sewer debt)

2.0 REVENUE VARIANCES

This section discusses the revenue items with variance from budget, as identified in Exhibit 1.

2.1 Fines and Forfeitures

The major negative variance in Fines and Forfeitures is from non-red light Traffic and Parking Violations Agency (TPVA) revenues, which we project will fall short of budget by $3.1 million notwithstanding red light camera revenues, which are expected to come in $2.0 million higher than budget based on year-to-date collections. Other items that we project to fall short of budget are Forfeited Bail & Fines and Alarm permit fees, both of which we currently project to come in $1.6 million under budget. Overall, we project a shortfall of $4.5 million in Fines and Forfeitures.

FINES AND FORFEITURES ($'s in millions)				
2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
$44.1	$62.5	$27.2	$58.0	($4.5)

2.2 Rents & Recoveries

Rents and Recoveries are projected to have a $2.7 million negative variance due to fewer recoveries for prior year disencumbrances and the elimination of funding received in the Correctional Center from Grants.

RENTS AND RECOVERIES ($'s in millions)				
2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
$56.3	$27.6	$15.8	$24.9	($2.7)

2.3 Departmental Revenue

Correctional Center revenues are projected to be $11.5 million under budget as a result of housing fewer than anticipated inmates from outside Nassau County. We project a shortfall in assessment department revenue of $3.1 million due to a delay in the implementation of a Tax Map Fee Initiative. Parks Department fees are projected to be under by $1.9 million and tow Truck Franchise revenue is projected to be under budget by $1.2 million, based on year to date and historical analysis. In total, we project Departmental Revenue at $11.5 million under budget.

DEPARTMENTAL REVENUE ($'s in millions)				
2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
$165.5	$178.2	$63.3	$166.7	($11.5)

2.4 Sales Tax

Sales tax, at approximately 40% of budgeted revenues net of inter-fund transfers, is the County's largest revenue source. Based on sales tax collections for the first 6 months of 2013, sales tax receipts are projected to total $1,149.9 million. Year to date sales tax collections through the issuance of this report shows a 10.4% increase over 2012. We project sales tax will be approximately $28.6 million more than the County's adopted budget of $1,121.3 million. This equates to a 7.2% increase over last year's actual.

Sales Tax Collected on a Cash Basis ($'s in millions)			
	July 1 YTD Sales Tax Collected excluding Residential Energy Tax	% July 1 YTD vs Total Sales Tax Collected/Projected excluding Residential Energy Tax	Gross Annual Sales Tax Collected/Projected excluding Residential Energy Tax
2005	$392.1	41.1%	$953.8
2006	415.6	41.9%	991.2
2007	423.5	41.8%	1,012.0
2008	430.4	42.9%	1,003.1
2009	386.6	41.6%	929.4
2010	410.4	41.4%	992.0
2011	424.2	41.3%	1,027.6
2012	442.2	41.3%	1,070.4
2013	474.6	41.3%	1,147.9

RECONCILIATON OF CASH BASIS SALES TAX TO PORTION RECOGNIZED IN 2013 ($'s in millions)	
Gross sales tax forecast 2013	$1,060.3
Part County portion forecast 2013	87.6
Total sales tax projected on a cash basis	1,147.9
Part County in excess of budget - deferred to future year	(2.4)
Net sales tax forecast 2013	1,145.5
Residential Energy Tax received	
Prior year deferral recognized in 2013	4.4
Sales tax, per Exhibit 1	$ 1,149.9

2.5 State Aid

State Aid is projected to be $15.3 million under budget primarily due to lower reimbursements in Health ($11.3 million) and Social Services ($3.0 million) mostly due to lower reimbursable expenditures caused by a greater reduction in caseloads than budgeted.

STATE AID				
2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
$207.2	$232.4	$47.1	$217.1	($15.3)

2.6 Federal Aid

Federal Aid is projected to be $10.4 million under budget primarily due to a projected $9.4 million decrease in Federal Aid reimbursement in Social Services caused by lower salary expenses and caseloads in the Temporary Assistance for Needy Families (TANF), Institutional Care and Foster Care services.

FEDERAL AID ($'s in millions)				
2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
$166.3	$156.2	$8.9	$145.8	($10.4)

3.0 EXPENSE VARIANCES

This section discusses the expense items with variance from budget as identified in Exhibit 1.

3.1 Payroll & Fringe Benefits

We project salaries (excluding overtime for the Police Department and the Correctional Center) to come in $14.5 million better than the 2013 budget. This is comprised primarily of unbudgeted termination pay of approximately $22.6 million for the police department, partially offset by savings from open positions and other payroll related savings leaving salary expense with a net surplus of $14.5 million.

Fringe benefits are projected to show a positive variance of $10.8 million primarily due to lower than budgeted health insurance premiums.

SALARIES and FRINGES (excluding overtime for Police Department and Correctional Center) ($'s in millions)					
	2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
Salaries	$745.9	$724.4	$357.8	$720.7	$3.7
Fringes	454.8	495.7	295.7	484.9	10.8
Total Salaries and Fringes	$1,200.7	$1,220.1	$653.5	$1,205.6	$14.5

3.2 Overtime for Police and Corrections

Based on current expense trends, overtime costs for the Police Department and the Correctional Center are projected to be $14.0 million (some of which may be transferred to the FEMA fund) over the $60.2 million budget. The expense in excess of budget is primarily comprised of $9.3 million for the Police District Fund and $7.1 million for the Police Headquarters Fund, offset by a savings in the Correctional Center of $2.4 million. The Correctional Center overtime is projected to come in at approximately $1.9 million less than the 2012 actual, a reduction of 12%. We project overtime expense to be approximately 21% higher than 2012 for the two Police Funds.

OVERTIME ($'s in millions)					
	2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
Police District	$25.7	$24.0	$10.3	$33.3	($9.3)
Police Headquarters	24.2	20.0	10.9	27.1	(7.1)
Correctional Center	15.7	16.2	5.5	13.8	2.4
Total	$65.6	$60.2	$26.7	$74.2	($14.0)

3.3 Social Services

As a result of a lower than budgeted number of caseloads under the Temporary Assistance for Needy Families (TANF), Safety Net, Institutional Care, Juvenile Delinquent and People in need of Supervision programs, and State reform which lowered the County's weekly Medicaid payment, we project expenses for Social Services will come in at $17.1 million under budget.

SOCIAL SERVICES ($'s in millions)				
2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
$440.9	$442.0	$239.3	$424.9	$17.1

3.4 Debt Service

We are projecting a positive variance of $14.5 in Debt Service due to lower than budgeted borrowings as well as the delay in the timing of borrowings, and continued low interest rates.

DEBT SERVICE ($'s in millions)				
2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
$341.5	$363.6	$58.7	$349.1	$14.5

3.5 Contractual Expense

Contractual expense is expected to be $2.4 million over the budget of $221.1 million. This variance is due to the restoration of funding to Human Services for Chemical Dependency, Mental Health and Youth Board programs agreed upon by the Nassau County Legislature.

CONTRACTUAL EXPENSE ($'s in millions)				
2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
$214.2	$221.1	$172.0	$223.5	($2.4)

3.6 Early Intervention/Pre School

We project a surplus of $15 million in Early Intervention/Pre School due to a lower than anticipated number of caseloads and children served than originally budgeted.

EARLY INTERVENTION / PRE-SCHOOL EDUCATION ($'s in millions)				
2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
$148.9	$169.9	$116.1	$154.9	$15.0

3.7 Contingencies

Our analysis indicates that a budgeted contingency of $12.1 million will be available to cover shortfalls projected elsewhere in the budget.

CONTINGENCIES ($'s in millions)				
2012 Actual	2013 Budget	2013 YTD June	2013 Forecast	Variance
$0.0	$12.1	$0.0	$0.0	$12.1

3.8 Property Tax Refunds

In June 2013, the County Legislature approved $40 million of borrowing, with the proceeds to be used to pay property tax refunds. The Legislature indicated that it may authorize an additional $35 million to be borrowed later this year for the purpose of paying further property tax refunds, with the understanding that the operating funds must finance an additional $20 million of property tax refunds. The improving economy appears to have negated the need for the additional borrowing and the County can pay for the property tax refunds from operating revenues and still end in surplus. Therefore, we project that Property Tax Refunds operating expense will be $48.0 million or $30.0 million higher than budgeted, as we have included an additional $28 million of property tax refund expense to cover the refunds exceeding the $60 million.

As of December 31, 2012, the total property tax refund liability was estimated to be $335.2 million, of which $297.2 million represented the long-term liability and $38.0 million represented the portion already expensed in 2011 and 2012, and awaiting payment. The portion expensed is not included in the long-term liability in the table below.

PROPERTY TAX REFUNDS ($'s in millions)				
2012 Actual	**2013 Budget**	**2013 YTD June**	**2013 Forecast**	**Variance**
($7.0)	$18.0	$0.0	$48.0	($30.0)

LONG TERM PROPERTY TAX REFUND LIABILITY ($'s in millions)				
	Bal beg of year	**Additions**	**Payments**	**Bal end of year**
2010	$ 164.3	$ 67.4	$ (79.4)	$ 152.3
2011	152.3	134.7	(64.1)	222.9
2012	222.9	83.8	(9.5)	297.2
2013 est	297.2	80.0	(88.0)	289.2

4.0 RISKS AND OPPORTUNITIES TO ACHIEVE A BALANCED BUDGET

Exhibit 1 (see page 3) shows the significant projected revenue and expense variances for year-end 2013 based on the first six month financial results. We project that the County will have a year-end surplus of $5.6 million.

The projected economic recovery may present new opportunities in higher sales tax revenues than projected; while our projection is conservative compared to the actual 2013 results for sales tax collections, the recovery may continue at the current pace and sales tax collections could exceed projections.

Although additional Sandy related expenditures were incurred in 2013 and our forecast includes the County's expense match of 10%, there is the potential that New York State may contribute a portion of those costs, thereby reimbursing the County for a portion of its costs already expended in 2012 and 2013. However, as of the date of this report, no formal announcement has been made by the State.

Additionally, while our projection includes $22.6 million in police termination pay, more officers became eligible to retire in 2013 than before and could result in a greater expense than projected.

The on-going NIFA wage freeze represents an additional risk. An adverse court decision is projected to cost approximately $230 million through the end of 2013.

5.0 OTHER CONCERNS

5.1 Nassau Health Care Corporation

The financial stability of the Nassau Health Care Corporation (NHCC) is essential so that it can continue to operate as a health care safety net for the County's uninsured. The County guarantees the NHCC's outstanding indebtedness of $252 million and the institution's continued ability to repay its bonds is of fiscal importance to the County.

The NHCC incurred an operating loss of $2.5 million in 2012. Its operating cash flow will continue to be a challenge during 2013 with very little room for error. 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 NHCC must develop a long-term sustainability plan anticipating significant uncertainty in the health care industry and include a strategic relationship with a bigger hospital group to improve its reimbursement rates, and lower structural cost while improving health care for Nassau County residents.

5.2 Nassau Regional Off-Track Betting Corporation

The 2012 audited financial statements for the OTB were issued with a "going concern" opinion for the third year. This indicates that there is substantial doubt about the OTB's ability to continue to operate. If it were to fail, Nassau County is responsible for repayment of its outstanding debt until maturity, which is July 1, 2020. The principal payment totals $1.46 million annually. The County holds the mortgage on the Racing Palace, which can be sold.

Recent legislation passed by New York State and signed into law by Governor Andrew Cuomo will permit Nassau County to open one video-slot facility, with a maximum of 1,000 video lottery terminals. OTB would operate the facility. We believe that the video-slot machines will generate significant revenues, restore OTB to financial health, and provide increased revenues to the County. At this time, our projections do not include any estimated revenues to the County.

5.3 Nassau Community College

NCC provides a valuable service to the residents of the County. Its financial health is crucial to the thousands of students and families that rely on it for higher education. The 2012 audited financial statements for NCC reflect a slowing in the decline of its net change in assets to a negative $5.7 million in 2012 from a negative $20.1 million and $28.9 million in 2011 and 2010, respectively. The Comptroller's Office is currently reviewing the financial and operational aspects of the College and expects to issue its findings during the third quarter of 2013.

6.0 MAJOR COUNTY FINANCIAL TRENDS

6.1 Budgetary Structural Gap Trend

Like most governments, the County relies on various sources of revenues to meet its obligations and provide essential services. The shortfall between recurring expenses and revenues is the Structural Gap. Ideally, the government should be funded mainly by recurring revenues to pay its expenses and avoid using one-shot items such as borrowing, sales of assets, draw down on reserve funds or deferring current expenses. While an important financial indicator, a structural gap is not the same as a budget deficit. Structural gaps can only be narrowed by reducing recurring expenses or by increasing recurring revenues. When the County balances its budget by using non-recurring revenues, such as drawing down reserves, it does not reduce the structural gap.

The County's Structural Gap continues its year-over-year improvement since 2009 as shown in Exhibit 3 below. The structural gap is projected at $54.4 million, down from $116.9 million in 2012 – a 53.5% improvement and down from $251.6 million in 2009 - a 78.4%, improvement, under the previous Administration. This would be the fourth consecutive year that the structural gap has been reduced.

EXHIBIT 3

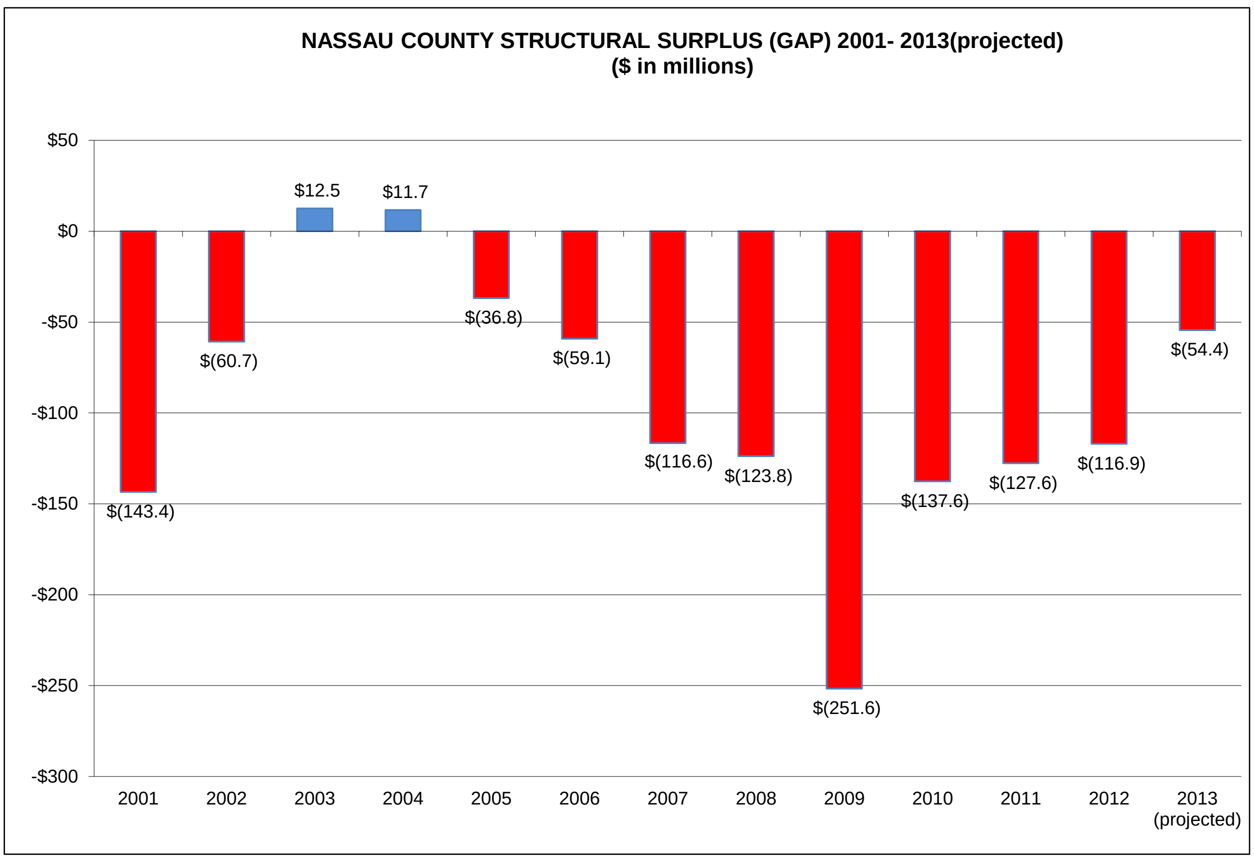


EXHIBIT 4

Comparison of Structural Gap Detail ($'s in millions)	2012	2013 (projected)
Revenue One Shots:		
Use of Fund Balance	$ -	$ 10.0
NIFA Debt Restructuring	1.3	5.9
Sale of Property	11.8	6.0
Total Revenue One Shots	**13.1**	**21.9**
Expense One Shots:		
Use of borrowed funds to pay operating expenses	14.7	40.0
Amortization of Pension Bill	38.8	
Use of Reserves to Pay Retirement Expense	10.4	
Judge's Order for Forbearance of Property Tax Refunds	88.7	
Deferral of Wages and Benefits	(7.3)	(1.9)
Total Expense One Shots	**145.3**	**38.1**
Total One Shots	**158.4**	**60.0**
Net Surplus (Deficit)	**41.5**	**5.6**
Structural Gap (Surplus or Deficit less One Shots)	**$ 116.9**	**$ 54.4**

6.2 Fund Balance Policy

The current unreserved fund balance in the General Fund and County-wide Special Purpose Funds[2] is likely to increase from $53.3 million at year-end 2012, to $66.0 million at year-end 2013 (see Exhibit 5 below), as a result of the 2013 projected budgetary surplus in these funds. At this level, unreserved fund balance as a percentage of prior year's recurring expenditures is projected to be 2.87%, still short of the County's Policy on fund balance, but a year over year improvement over last year's percentage of 2.30%.

EXHIBIT 5

FUND BALANCE AS A PERCENTAGE OF RECURRING EXPENDITURES
($'s in millions)

UNRESERVED FUND BALANCE

As of December 31,	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 Projected**
Total Cumulative Unreserved Fund Balance		$ 85.6	$ 87.8	$ 77.7	$ 69.3	$ 50.9	$ 85.3	$ 31.6	$ 53.3	$ 66.0
Normal recurring expenses, less interfunds (General & County-Wide Special Revenue Funds)	$ 2,141.5	$ 2,144.2	$ 2,064.4	$ 2,196.0	$ 2,137.8	$ 2,144.8	$ 2,149.5	$ 2,314.9	$ 2,296.8	
Total Unreserved Fund Balance, as % of prior year		**4.00%**	**4.09%**	**3.76%**	**3.16%**	**2.38%**	**3.98%**	**1.47%**	**2.30%**	**2.87%**

MAJOR FUNDS UNRESERVED FUND BALANCE
($'s in millions)

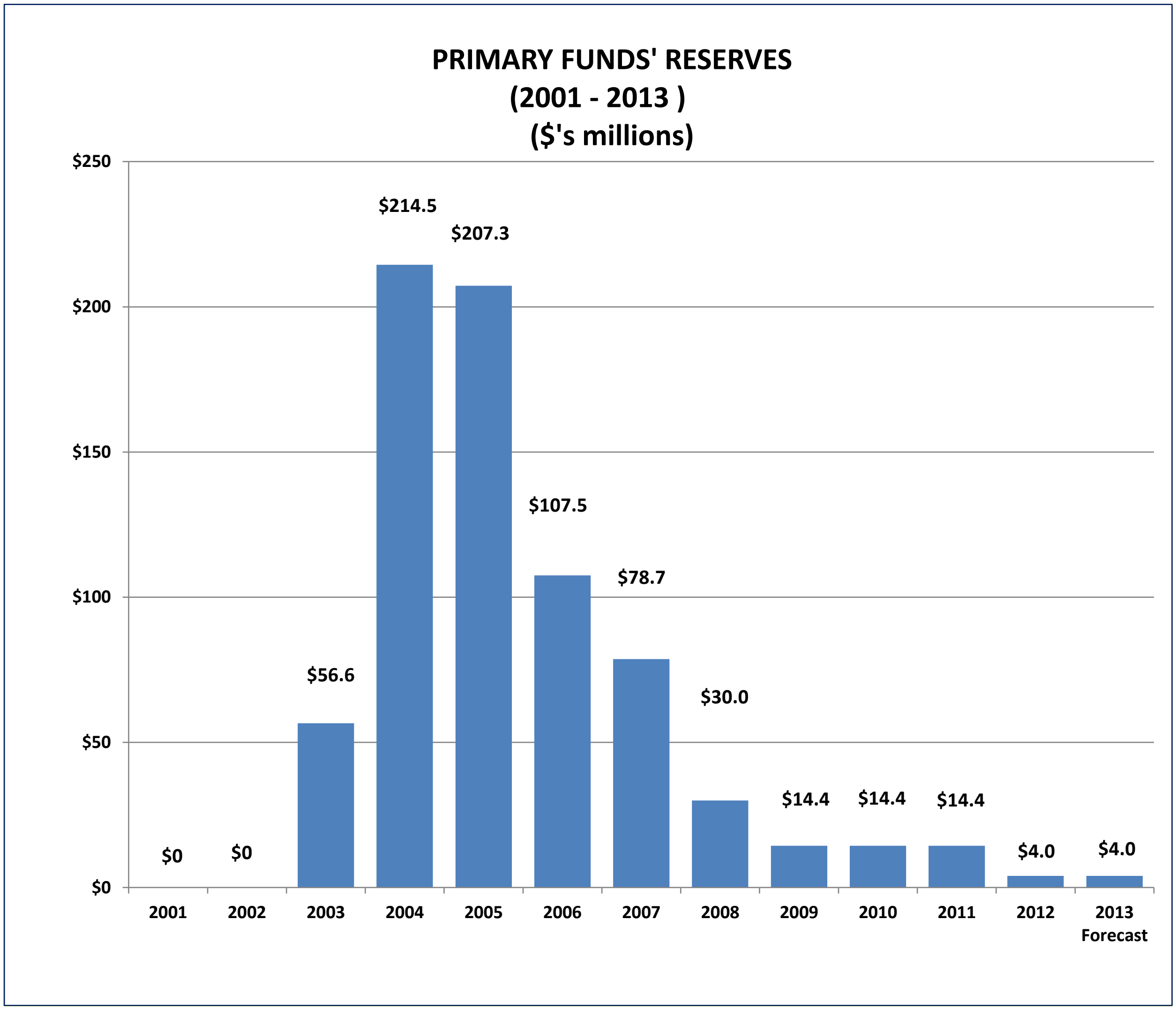
As of December 31,	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 Projected**
		$ 90.5	$ 103.9	$ 89.8	$ 74.3	$ 64.2	$ 90.8	$ 40.5	$ 82.0	$ 87.6

[2] Defined as Police Headquarters and Fire Safety. Police District is excluded, as it is a separate taxing base.

6.3 Primary Fund Reserve Trend

From 2003-2004, the County accumulated reserves totaling $214.5 million through annual surpluses. From 2005 to 2009, under the Suozzi Administration, the County depleted the reserve funds at an alarmingly accelerated rate as shown in Exhibit 6 to cover current expenses. The reserve fund is projected to remain untouched in 2013 at $4 million at the end of 2013.

EXHIBIT 6



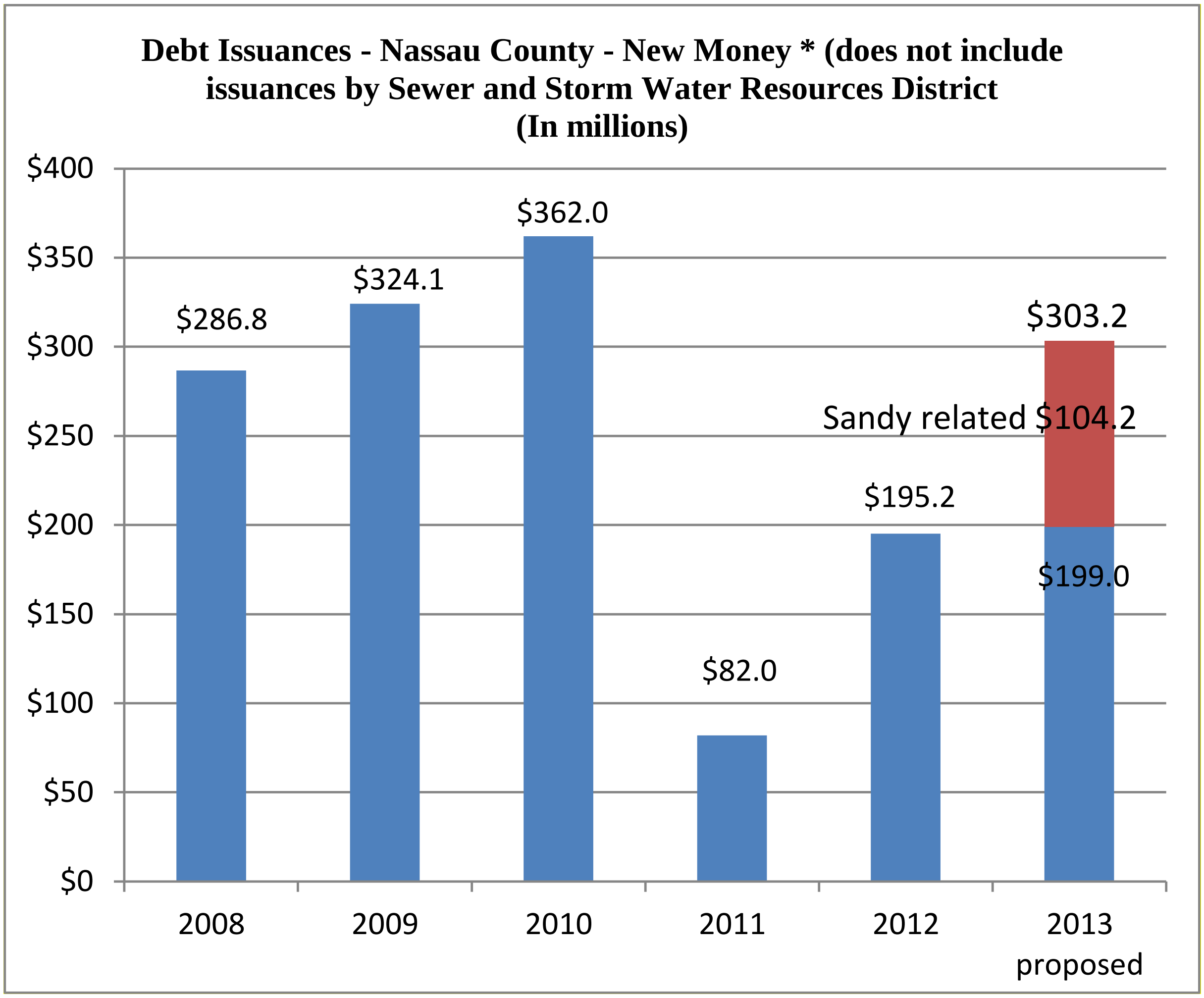
6.4 New Bonding Trends

In prior years, the County had typically bonded annually for capital projects and property tax refund payments. From 2002 to 2006, all the borrowing for the County was done primarily by NIFA. From 2008 to 2010, the County had borrowed in excess of $280 million each year, which included $80 million and $92 million for 2009 and 2010 termination pay, respectively. However, the 2011 borrowings were lower than 2010 and 2009 due to NIFA's restrictions on County borrowing; additionally, there were no borrowings for termination pay or payment of property tax refunds.

As shown in the Exhibit 7 below, which details projected new money debt issued by the County (including borrowings for Nassau Community College ("NCC") capital projects), the proposed long-term and short-term borrowing is anticipated to increase in 2013 by $303 million which does not include $65 million in additional bonding for police termination pay and property tax refunds . The 2013 borrowings are primarily due to approximately $104 million of short-term Bond Anticipation Notes borrowed to pay for Sandy-related repairs to non-Sewer District capital projects, $40 million for property tax refunds, $49 million for judgments and settlements, and approximately $200 million for non-sewer capital projects (including NCC capital projects).

General obligation debt issuances for 2013, excluding debt for Sewer District projects, are projected to be approximately $303 million. At 2012 year-end, the total of County general obligation (excluding bonds for Sewer District projects) and NIFA bonds outstanding was $2.7 billion. The debt service for principal, interest and financing costs relating to this debt was $366.3 million. The 2013 anticipated borrowing will increase the County's general obligation bonds outstanding from $2.7 billion to approximately $3.0 billion (excluding bonds for Sewer District projects).

EXHIBIT 7



* does not include Bond Anticipation Notes (BANs) issuances used for sewer district related capital projects.