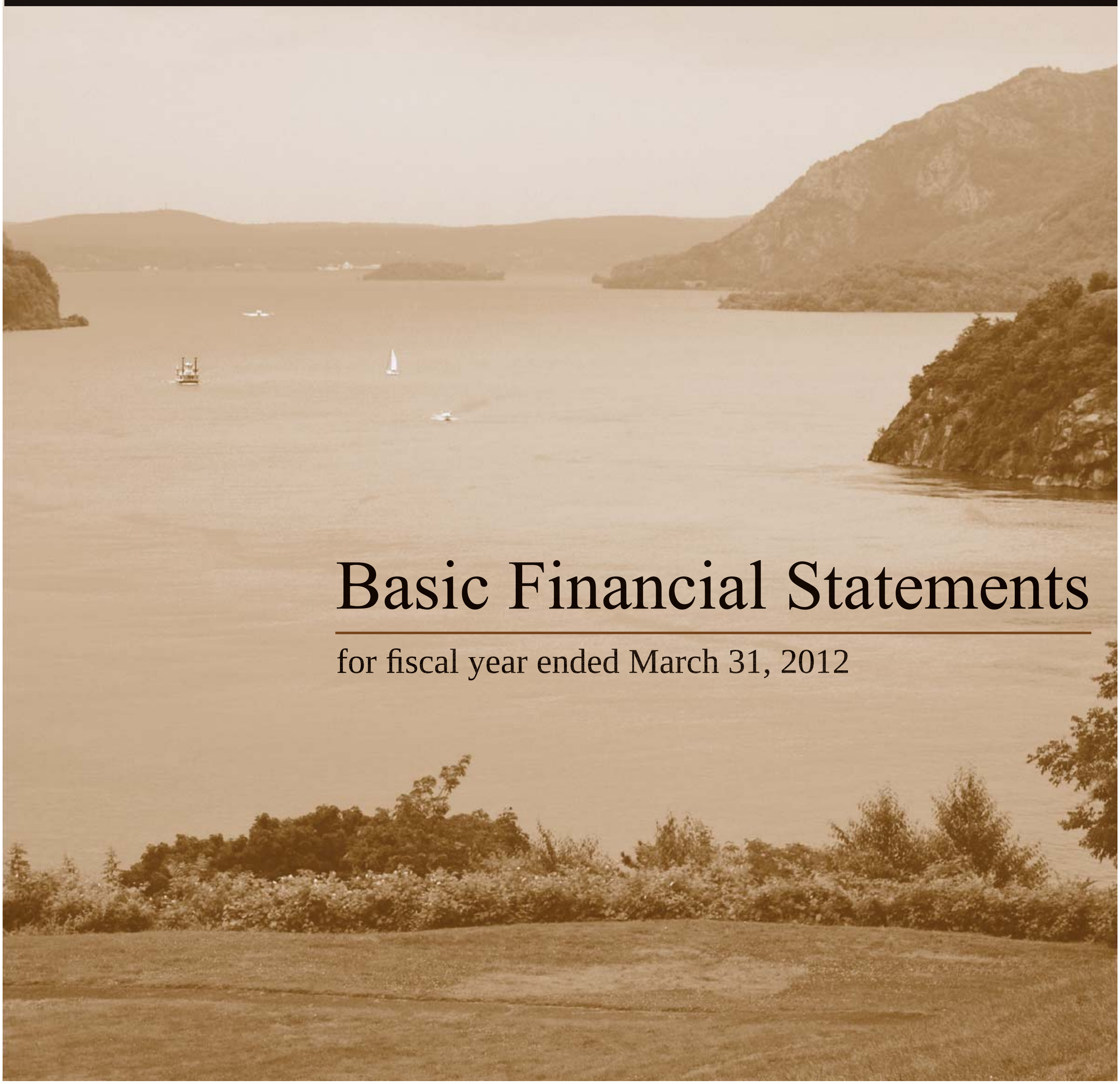
NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

(A Component Unit of the State of New York)



Basic Financial Statements

for fiscal year ended March 31, 2012

NEW YORK
LOCAL GOVERNMENT ASSISTANCE CORPORATION

(A Component Unit of the State of New York)

Basic Financial Statements

Year Ended March 31, 2012

TABLE OF CONTENTS

TOSKI & CO., P.C.
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
New York Local Government Assistance Corporation:

We have audited the accompanying financial statements of the governmental activities (statement of net assets (deficit) and statement of activities) and each major fund of the New York Local Government Assistance Corporation (the Corporation), a blended component unit of the State of New York, as of and for the year ended March 31, 2012, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of New York Local Government Assistance Corporation as of March 31, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2012 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 18, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The following discussion and analysis of the New York Local Government Assistance Corporation's (Corporation or LGAC) financial performance provides an overview of the Corporation's financial activities for the fiscal year ended March 31, 2012.

FINANCIAL HIGHLIGHTS

- The Corporation's total bonds outstanding at year-end were $3.2 billion net of unamortized amounts, a decrease of $198 million from the prior year.
- The Corporation's variable interest rate bonds outstanding on March 31, 2012 comprised approximately 27 percent of all its outstanding bonds; however, the Corporation has effectively reduced this amount to approximately 4 percent through the use of interest rate exchange agreements.
- In September 2011, the Corporation issued $184 million par amount of fixed rate bonds and generated premium to refund $188.7 million of variable rate bonds. In addition, in conjunction with the refunding, the Corporation terminated a portion of interest rate exchange agreements relative to the refunded bonds ($188.32 million in notional amount).
- The Corporation, like many issuers, has been affected by the turmoil in the municipal bond market that began in 2008 including the market failure of municipal Auction Rate Securities (ARS), downgrades in the insurer financial strength ratings of certain financial guarantors (bond insurers) and the lack of and increased cost of liquidity. This has affected the portion of the Corporation's debt portfolio in variable rate mode and also has the potential to diminish the long-term value of the Corporation's Municipal Bond Debt Service Reserve Fund Policy (surety bond) provided by FGIC. The Corporation understands that pursuant to a reinsurance agreement between FGIC and National Public Finance Guarantee Corporation, a subsidiary of MBIA, Inc., National Public Finance Guarantee Corporation has reinsured certain obligations of FGIC, including the FGIC Municipal Bond Debt Service Reserve Insurance Policy on deposit in the Senior Capital Reserve Fund. As of the date hereof, National Public Finance Guarantee is rated "Baa2" by Moody's and "BBB" by S&P.
- The Corporation's net asset deficit as of March 31, 2012 of $2.9 billion decreased by $209.8 million from the previous fiscal year-end. This decrease is primarily the result of repayment of bonds.
- During the 2011-12 year, the Corporation had revenues of $385.7 million, which included $383.8 million in funds drawn from appropriations from New York State.
- Total expenses of the Corporation in 2011-12 on a full accrual basis were $175.9 million, which includes $169.6 million for interest on the Corporation's outstanding bonds.
- The Corporation's General Fund ended the year with an annual operating surplus of $83 thousand and a fund balance of $2.6 million.
- The Corporation's Debt Service Fund (the Fund) ended the year with an annual operating surplus of $34.8 million and a fund balance of $495 million. Assets in the Fund included $193.5 million in investments, $301.3 million in cash, and $259 thousand in interest receivable. The Corporation's Trustee held the cash to pay debt service of $301.3 million that was payable on April 1, 2012. The annual operating surplus and related increase in fund balance in the Debt Service Fund is attributable to the decreased principal payments on the Corporation's bonds.
- The Corporation's $348.5 million combined capital reserve requirements were satisfied on an amortized cost basis by holding cash and investments with an amortized cost of $178.7 million and owning a surety bond that will pay up to $170 million through April 1, 2021 to pay debt service, if needed.
- The bond ratings assigned to the Corporation as of March 31, 2012 were Aa2 by Moody's Investors Services, AAA by Standard and Poor's Ratings Services, and AA by Fitch Ratings.

USING THIS FINANCIAL REPORT

This financial report consists of four financial statements presented on two pages. The first two financial statements are the Governmental Funds Balance Sheet/Statement of Net Assets (Deficit) on page 8. The final two financial statements are the Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities on page 9.

The Statement of Net Assets (Deficit) and the Statement of Activities provide information about the activities of the Corporation as a whole, and present a longer term view of the Corporation's finances by focusing on total available resources and changes therein. The fund financial statements indicate how expenditures were financed in the short-term as well as reflecting amounts remaining as fund balance. Fund financial statements also report the Corporation's operations in more detail than the Corporation-wide statements by providing information about the Corporation's two separate funds: the General Fund and the Debt Service Fund.

The change in the focus between currently available resources and total available resources is identified in the Adjustments columns found on the financial statements (pages 8 and 9). To arrive at the Statement of Net Assets (Deficit), the accrued interest expense on the Corporation's bonds, the outstanding balance of bonds and certain other adjustments are added to the total column on the Governmental Funds Balance Sheet. This is displayed in the Adjustments column to the left of the Statement of Net Assets (Deficit). To arrive at the Statement of Activities, transactions relating to long-term liabilities and expenditures that were deferred and amortized are added to or eliminated from the Statement of Revenues, Expenditures and Changes in Fund Balances. For the Corporation, transactions not affecting its reported net assets are payments of debt principal, the advance repayment of debt, and expenditures incurred in prior periods. Amounts relating to the aforementioned transactions are displayed in the Adjustments column to the left of the Statement of Activities.

Reporting the Corporation as a Whole

The Statement of Net Assets (Deficit) and the Statement of Activities

These statements report the Corporation's net assets (deficit) and changes to the Corporation's net assets (deficit). Annual changes in the Corporation's net assets (deficit) - the difference between assets and liabilities - is one way to measure the Corporation's financial health or financial position. Over time, increases or decreases in the Corporation's net assets (deficit) are indicators of whether its financial health is improving or deteriorating. As the Corporation is entirely dependent on appropriations from the State of New York, in evaluating the financial health of the Corporation, the reader will also need to consider the ability and likelihood of the State to continue to make appropriations to the Corporation to support the payments of debt service on the Corporation's bonds, as well as its other expenses.

Reporting the Corporation's Funds

Fund Financial Statements

The fund financial statements provide detailed information about the Corporation's two distinct funds—not the Corporation as a whole. The fund financial statements are prepared using a different approach than the Corporation-wide financial statements. The fund financial statements focus on how money flows into and out of those funds and the balances remaining at year-end. The Corporation's revenues and expenditures are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which reports revenues when they become both measurable and available to finance expenditures of the current period; expenditures are recorded in the period the liability is incurred and expected to be paid from current financial resources, with the exception of long-term liabilities which are recognized in the period they are payable. The governmental fund statements provide a detailed short-term view of the Corporation's general government operating requirements for the year ended March 31, 2012.

THE CORPORATION AS A WHOLE

The Corporation will annually report a deficit in its net assets. The deficit in the Corporation's net assets arose as it carried out its statutory purpose of eliminating the State's annual short-term borrowing. During the years 1991 through 1995, the Corporation issued long-term obligations to finance State local assistance payments, capital reserve requirements, and costs of debt issuance. This debt will be repaid from appropriations expected to be received from the State in subsequent years. This unrestricted deficit can be expected to continue for as long as the Corporation has debt outstanding.

The following table summarizes the net assets (deficit) for the current and prior years:

Table 1
Net Assets (Deficit) as of March 31, 2012 and March 31, 2011
(Amounts in thousands)

	2012	2011
Assets and Deferred Outflows of Resources:		
Cash and investments	$ 498,363	$ 463,698
Interest receivable	259	275
Unamortized bond issuance costs	9,939	10,772
Total assets	**508,561**	**474,745**
Deferred outflows of resources	31,223	33,058
Total assets and deferred outflows of resources	**539,784**	**507,803**
Liabilities:		
Liabilities due within one year	313,724	277,756
Liabilities due in more than one year	3,077,171	3,290,948
Total liabilities	**3,390,895**	**3,568,704**
Net Assets:		
Restricted for debt service	494,727	459,948
Unrestricted (deficit)	(3,345,838)	(3,520,849)
Total net assets (deficit)	**$ (2,851,111)**	**$ (3,060,901)**

The Corporation's combined net deficit decreased by $209.8 million from one year ago, from a deficit of $3.1 billion to a deficit of $2.9 billion. The decrease in the combined net deficit is primarily the result of a reduction of bonds payable resulting from the repayment of Corporation debt.

The following table summarizes the changes in net assets (deficit) for the current and prior years.

Table 2
Changes in Net Assets for the fiscal years ended March 31, 2012 and March 31, 2011
(Amounts in thousands)

	2012	2011
General Revenues:		
Appropriations from New York State	$ 383,809	$ 346,499
Investment income	1,878	1,871
Total revenues	**385,687**	**348,370**
Expenses:		
General and administrative	5,043	7,230
Cost of issuance for refunding	1,292	829
Rebate of investment earnings to the Federal government	-	-
Interest expense	169,562	131,644
Total expenses	**175,897**	**139,703**
Changes in net assets	**209,790**	**208,667**
Net assets (deficit), beginning of year	**(3,060,901)**	**(3,269,568)**
Net assets (deficit), end of year	**$ (2,851,111)**	**$ (3,060,901)**

THE CORPORATION'S FUNDS

At the close of the 2011-12 fiscal year, the Corporation reported a combined fund balance in its governmental funds (as presented in the balance sheet on page 8) of $497.6 million, an increase of $34.8 million or 7.5 percent more than the prior year's combined fund balance of $462.8 million. Included in this year's total changes in fund balances are an annual operating surplus of $83 thousand in the Corporation's General Fund and an annual surplus of $34.8 million in the Corporation's Debt Service Fund. The primary reason for the Debt Service Fund's annual surplus was that funds drawn from State appropriations were greater than the debt service paid. Funds drawn from appropriations change annually based on interest rate and cash flow assumptions.

Corporation Revenues and Expenditures

During the year, the Corporation received $5.1 million in its General Fund from State appropriations. These revenues were used to pay nearly $5.1 million in general and administrative expenditures. This resulted in an increase of $83 thousand in the General Fund balance. The Corporation also received $378.7 million in its Debt Service Fund from State appropriations for payment of debt service on its outstanding bonds and earned $1.9 million in investment income on its Capital Reserve Account and other Debt Service Accounts within the Debt Service Fund. The Corporation also paid and received $56.1 million and $1.2 million respectively, on its interest rate exchange agreements. Of the $56.1 million paid by the Corporation, swap termination payments totaling $27.4 million are recorded as other financing uses and $27.5 million are included in debt service interest.

Debt

The Corporation is authorized to issue up to $4.7 billion of bonds or notes plus an amount necessary to fund capital reserve requirements, costs of issuance and a limited amount of capitalized interest. As of March 31, 1996, the Corporation had issued all the debt it was authorized to issue. Any future debt issuance is limited to refunding or portfolio management purposes. At year end, the Corporation had $3.2 billion in bonds outstanding, net of unamortized deferred amounts. This represents a $198 million decrease from the prior year.

In addition to the debt noted above, the Corporation has $904 thousand in other long-term obligations which represent investment earnings payable for rebate of investment earnings to the Federal government.

As of March 31, 2012, the ratings assigned to the Corporation are as follows: Aa2 by Moody's Investors Services, AAA by Standard and Poor's Ratings Services, and AA by Fitch Ratings.

DEBT SERVICE COVERAGE RATIO

The Corporation is dependent upon receipts from the State of New York for payment of debt service on its bonds and for its operating costs. The State makes its payments from the Local Government Assistance Tax Fund (the Fund), under the custody of the State Comptroller and the Commissioner of Taxation and Finance. The Fund receives receipts collected within the State from the imposition of sales and use taxes, including interest and penalties (sales tax) at a one percent rate of taxation. Sales tax receipts received by the Fund during the State's 2011-12 fiscal year were approximately 7.3 times the maximum annual debt service at rates in effect at March 31, 2012. The calculation of maximum annual debt service assumes all variable rate bonds are unhedged; using rates in effect on March 31, 2012 and includes support costs.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives and spends. If you have any questions about this report or need additional financial information, contact the Corporation's Office of Public Information at 110 State Street, 15th Floor, Albany, New York 12236, by phone at (518) 474-4015 or by email at debtmanagement@osc.state.ny.us.

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
Governmental Funds Balance Sheet/Statement of Net Assets (Deficit)

March 31, 2012
(Amounts in thousands)

	General Fund	Debt Service Fund	Total	Adjustments (Note 6)	Statement of Net Assets (Deficit)
Assets and Deferred Outflows of Resources:					
Cash and investments	$ 3,581	$ 494,782	$ 498,363	$ —	$ 498,363
Interest receivable	—	259	259	—	259
Unamortized bond issuance costs	—	—	—	9,939	9,939
Total assets	**3,581**	**495,041**	**498,622**	**9,939**	**508,561**
Deferred outflows of resources	—	—	—	31,223	31,223
Total assets and deferred outflows of resources:	**$ 3,581**	**$ 495,041**	**$ 498,622**	**41,162**	**539,784**
Liabilities:					
Accounts payable	$ 948	$ 55	$ 1,003	—	1,003
Accrued interest payable	—	—	—	68,536	68,536
Long-term liabilities:					
Due within one year	—	—	—	244,185	244,185
Due after one year:					
Bonds payable, net of amortized premiums and discounts	—	—	—	3,060,116	3,060,116
Derivative instruments-interest rate swaps	—	—	—	93,631	93,631
Rebate of investment earnings to the Federal government	—	—	—	904	904
Deferred loss on refunded bonds	—	—	—	(77,480)	(77,480)
Total liabilities	**948**	**55**	**1,003**	**3,389,892**	**3,390,895**
Fund Balances:					
Restricted	—	494,727	494,727	(494,727)	—
Assigned	2,633	259	2,892	(2,892)	—
Total fund balances	**2,633**	**494,986**	**497,619**	**(497,619)**	**—**
Total liabilities and fund balances	**$ 3,581**	**$ 495,041**	**$ 498,622**		
Fund balances/net assets (deficit):					
Restricted for debt service				494,727	494,727
Unrestricted (deficit)				(3,345,838)	(3,345,838)
Total net assets (deficit)				**$ (2,851,111)**	**$ (2,851,111)**

See accompanying notes to the basic financial statements

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF NEW YORK)
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

For the Year Ended March 31, 2012
(Amounts in thousands)

	General Fund	Debt Service Fund	Total	Adjustments (Note 7)	Statement of Activities
General Revenues:					
Appropriations from New York State	$ 5,146	$ 378,663	$ 383,809	$ —	$ 383,809
Investment income	2	1,876	1,878	—	1,878
Total revenues	**5,148**	**380,539**	**385,687**	**—**	**385,687**
Expenditures/Expenses:					
General and administrative	5,065	—	5,065	(22)	5,043
Cost of issuance for refundings	—	458	458	834	1,292
Rebate of investment earnings to the Federal government	—	—	—	—	—
Debt service					
Principal	—	206,450	206,450	(206,450)	—
Interest	—	137,331	137,331	32,231	169,562
Total expenditures/expenses	**5,065**	**344,239**	**349,304**	**(173,407)**	**175,897**
Excess (deficiency) of revenues over expenditures	**83**	**36,300**	**36,383**	**173,407**	—
Other financing sources (uses):					
Issuance of refunding bonds	—	184,040	184,040	(184,040)	—
Premiums on refunding bonds, net of discounts	—	30,547	30,547	(30,547)	—
Payments to refunding bond escrow agent	—	(188,705)	(188,705)	188,705	—
Swap termination		(27,419)	(27,419)	27,419	—
Net other financing sources (uses)	**—**	**(1,537)**	**(1,537)**	**1,537**	**—**
Net change in fund balance	**83**	**34,763**	**34,846**	**(34,846)**	**—**
Change in net assets	**—**	**—**	**—**	**209,790**	**209,790**
Fund balances/net assets (deficit):					
Beginning of year	2,550	460,223	462,773	(3,523,674)	(3,060,901)
End of year	**$ 2,633**	**$ 494,986**	**$ 497,619**	**$ (3,348,730)**	**$ (2,851,111)**

See accompanying notes to the basic financial statements

(1) Summary of Significant Accounting Policies

(a) Organization

The New York Local Government Assistance Corporation (Corporation) was established by Chapter 220, of the Laws of 1990 (as amended) to issue up to $4.7 billion in long-term debt, in order to finance certain local assistance payments appropriated by the State of New York (State), in addition to bonds necessary to fund a capital reserve account, costs of issuance and up to six months of capitalized interest. Issuance of these bonds eliminated the need for the State's annual "Spring Borrowing." Prior to the creation of the Corporation, certain large payments due to the State's local government units were made in the first quarter of the State's fiscal year, particularly in support of primary and secondary education, while revenues were received more evenly throughout the fiscal year. To meet these payments, the State issued short-term tax and revenue anticipation notes referred to as the annual "Spring Borrowing." Primarily as a result of bond issuances by the Corporation, there was no Spring Borrowing in the State's 1995 through 2012 fiscal years. The fiscal year ended March 31, 2012 was the twenty-first year of the Corporation's existence. The Corporation is a blended component unit of the State and its continued operations are almost entirely dependent upon the annual appropriations received from the State.

Payments of debt service on the Corporation's bonds will be made from appropriations received from the State. Pursuant to the Act establishing the Corporation, the State deposits one cent of the State's four cent sales and use tax into a special fund (the Local Government Assistance Tax Fund), which is used by the State to make payments to the Corporation. Amounts in excess of the Corporation's needs are transferred from the Local Government Assistance Tax Fund to the State's General Fund after the Corporation's requirements have been met as provided by statute. State payments to the Corporation are subject to annual appropriations by the State Legislature. The Corporation's bondholders do not have a lien on monies deposited in the Local Government Assistance Tax Fund.

(b) Basis of Presentation

The accompanying basic financial statements of the Corporation have been prepared in conformance with generally accepted accounting principles (GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The Corporation has prepared Corporation-wide financial statements titled "Statement of Net Assets (Deficit)" and "Statement of Activities" as well as the required supplementary information titled "Management's Discussion and Analysis" which precedes the financial statements. The Corporation also prepares fund financial statements, which are the "Governmental Funds Balance Sheet," and "Statement of Revenues, Expenditures and Changes in Fund Balance." The basic financial statements include both the Corporation-wide and the fund financial statements, which have been combined together and presented on the same pages.

The Corporation follows the principles of fund accounting in that each segment of operations is represented under a discrete fund presentation in the fund financial statements. The Corporation uses funds to report its financial position and results of operations. The General Fund consists of the Operating Account, Cost of Issuance Accounts for new bond issuances, and the Local Assistance Payment Account. The Debt Service Fund consists of the Debt Service Accounts, the Capital Reserve Accounts, the Rebate Accounts, and the Cost of Issuance Accounts for refunding bond issuances. The General Fund is used to account for all financial transactions of the Corporation except for debt service related transactions which are accounted for in the Debt Service Fund. The Rebate Account within the Debt Service Fund is used to remit investment earnings to the United States Department of the Treasury, when necessary, in accordance with the Internal Revenue Code (arbitrage rebate payment).

(c) Basis of Accounting

The Corporation utilizes the modified accrual basis of accounting, which focuses on changes in current financial resources, in the preparation of the fund financial statements. Under the modified accrual basis of accounting, revenues and related receivables are recorded in the accounting period that they become both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures and related liabilities are recorded in the accounting period the liability is incurred and payable from current resources, except for principal and interest on long-term debt and estimated other long-term liabilities which are recorded only when payment is due and payable.

Operating expenditures are direct costs incurred by the Corporation, such as legal fees, financial advisory fees, printing costs, trustee fees, letter of credit fees, remarketing agent fees, broker-dealer fees, arbitrage rebate payments, and other related costs. Operating expenditures are paid from monies received from the State and earnings from their investments. Staff support is provided by the State at no charge to the Corporation.

The Corporation utilizes the full accrual basis of accounting, which focuses on changes in total economic resources, in the preparation of the Corporation-wide financial statements. Under the full accrual basis of accounting, changes in long-term assets and liabilities are incorporated into the financial statements. Since the fund financial statements are prepared using a different method of measuring revenues and expenditures and a different basis of accounting than the Corporation-wide financial statements, an Adjustments column is presented to convert the fund basis financial statements into the Corporation-wide financial statements.

Amortization of bond premiums has been computed using the straight-line method. The Corporation also defers and amortizes issuance costs and deferred losses on refunding bond issuances using the straight-line method. Interest on capital appreciation bonds is accreted using the effective interest rate method.

(d) Municipal Assistance Corporation Refinancing Act

Chapters 62 and Chapter 63 of the Laws of 2003 enacted, among other provisions, the Municipal Assistance Refinancing Act (Act), effective July 1, 2003 and deemed repealed as of July 1, 2034. The Act created an incentive for the State to seek an appropriation to provide $170 million per year, from the Local Government Assistance Tax Fund (Fund) to the City of New York (City) for each of the City's fiscal years beginning July 1, 2003 and ending June 30, 2034. The Act requires the Corporation to annually certify $170 million so that the State, subject to annual State appropriation by the Legislature, can provide for a series of payments to the City or the Mayor's assignee in each City fiscal year beginning July 1, 2003 and ending June 30, 2034 totaling $5.27 billion.

The Act was established with the expectation that the City, acting through the Mayor, would assign the annual payments from the State to a newly created not-for-profit corporation that would issue bonds and use those proceeds to refinance all existing debt of the Municipal Assistance Corporation for the City of New York (MAC) due in the near term (approximating $2.5 billion at the time of the Act). Subsequent to the Act, the City created the Sales Tax Asset Receivable Corporation (STARC) to securitize the annual payments and refinance the existing MAC bonds with the proceeds, as intended. The expected annual State payments of $170 million would be used by STARC to pay the debt service on the refinanced debt. By law, the Fund receives one cent of the State's sales and use tax receipts (approximately $2.8 billion during 2012). The balance of the Fund's receipts not needed by the Corporation for its purposes, are transferred from the Fund to the State's General Fund. Based on current law, until the Legislature enacts an appropriation of $170 million, the Corporation certifies the release of the funds, and the $170 million State payment is made, and the Corporation receives the amount it has certified for its needs, no excess sales tax receipts can be transferred from the Fund to the State's General Fund. During 2012, the Corporation certified the release of the eighth State payment of $170 million to the City.

The Corporation filed a complaint in New York State Supreme Court in August 2003 seeking a court determination that the statute requiring a certification and possible payment by the Corporation to the City of New York or its assignee was invalid. Ultimately, the New York State Court of Appeals found the statute to be valid but determined that it does require an annual State appropriation to make any payments. The court further found that any annual payment required by the State could not interfere with the Corporation bondholders' rights.

In May 2004, the Corporation amended its General Bond Resolution and General Subordinate Lien Bond Resolution ("the Resolutions") to clarify that any failure to certify or assure that the State's payments are made to the City or its assignee has no impact on the Corporation's own bondholders; and that if any such act or omission were to occur with respect to any potential STARC bonds, that act or omission would not constitute an Event of Default with respect to the Corporation bonds. In June 2004, the Corporation's Trustee, The Bank of New York, notified the Corporation's bondholders of these amendments.

(e) Adoption of New Accounting Pronouncements

During the fiscal year ended March 31, 2012, the Corporation adopted GASB Statement 54 (GASBS 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, establishing fund balance classifications that comprise a hierarchy of spending based primarily on the extent to which the Corporation is bound to observe constraints imposed upon the use of the resources reported in it's funds. Fund balances are reported in the following categories: non-spendable, restricted, committed, assigned, and unassigned.

(2) Cash and Investments

The following are authorized investments for the Corporation's Debt Service Accounts and Capital Reserve Accounts:

To the extent permitted by law, the following are the Authorized Investments for the Capital Reserve Fund:

1. Any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America including inflation index securities and Treasury Strips issued by the Federal Reserve Bank;

2. Direct and general obligations of New York State, provided that the rating thereon shall not be less than the rating on the Corporation's Bonds, each as established by Fitch Ratings, Moody's Investors Service and Standard & Poor's, if and to the extent that such firms continue to maintain a rating on the Corporation's Bonds and on such obligations of the State;

3. Certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company having a combined capital and surplus of at least $50,000,000 organized under the laws of any state of the United States of America or any national banking association (including the Corporation's Trustee), which certificates of deposit are fully insured by the Federal Deposit Insurance Corporation or fully secured by such securities as are described in paragraph (1) above, but in any event collateralized to the level required by each of the rating agencies referred to in paragraph (2) if and to the extent such firms maintain a rating on the Corporation's Bonds;

4. Any Purchase and Sale of Securities (simultaneous purchase of a permitted investment with an agreement to sell it back to the seller) ("PSS") with any bank or trust company organized under the laws of any state of the United States of America and authorized to do business in the State of New York or any national banking association (including the Corporation's Trustee) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York with respect to any one or more of the securities described in paragraph (1) above;

5. General obligation bonds and notes of any state other than New York State and, to the extent permitted by law, general obligation bonds and notes of any political subdivision of the State or any state, provided that such bonds and notes receive the highest rating from each of Fitch Ratings, Moody's Investors Service and Standard and Poor's, if and to the extent that such firms continue to maintain a rating on the Corporation's Bonds and on such bonds and notes.

The following are Authorized Investments for the Debt Service Fund:

1. To the extent permitted by law, and to the extent the securities are legal investments for the Corporation, the Authorized Investments for monies in the Debt Service Fund are as described in (1), (3), and (4) under Authorized Investments for the Capital Reserve Fund presented above.

Monies on deposit in any other fund or account not listed above may be invested pursuant to Section 98-a of the State Finance Law. All investments are insured, registered, or held by the Corporation's Trustee in the Corporation's name. The following table represents investments of the Corporation by investment type with related reported amounts which are equal to fair values (excluding accrued interest) at March 31, 2012 (amounts in thousands):

			Investment Maturities	
Investment Type		**Reported Amount**	**Less than 1 Year**	**1-5 Years**
Repurchase agreements.......	$	23,177	$ 23,177	$ -
U.S. Treasury Notes...........		173,899	59,160	114,739
Totals	**$**	**197,076**	**$ 82,337**	**$ 114,739**

Reflecting market conditions, the Corporation experienced a net decrease in the fair value of its investments during the year of $25 thousand which is a component of the amount of investment income reported by the Corporation. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

The Corporation's repurchase agreements are collateralized by U.S. Treasury Notes with market values which are equal to or greater than the reported amount. Collateral in support of the investments is held by the Trustee in the name of the Corporation.

Included in the $494.8 million of total cash and investments in the Debt Service Fund is $301.3 million in cash and $193.5 million in investments. All of the cash in the fund was transferred by the Corporation’s Trustee to a separate account on March 31, 2012 in order to meet the Corporation’s April 1, 2012 debt service payment of $301.3 million. Pursuant to the Corporation's General Bond Resolution, the Corporation's Trustee must transfer required debt service funds to a separate account on the business day preceding a debt service payment date.

(3) Bonds Payable

The Corporation is authorized to issue up to $4.7 billion in bonds plus an amount necessary to fund a capital reserve, costs of issuance, and a limited amount of capitalized interest. As of March 31, 1996, the Corporation had issued bonds equal to its authorized amount. Under existing statutes, any issuance of bonds by the Corporation in the future is limited to refunding or portfolio management purposes only.

During the fiscal year, the Corporation refunded $188.7 million of Series 2008B-BV2 Variable Rate Demand Bonds (VRDBs), through the issuance of Series 2011A Subordinate Lien Refunding Bonds totaling $184 million.

As of March 31, 2012, the Corporation had approximately $858 million of variable interest rate debt in twelve series of bonds outstanding as follows (rates include remarketing agent, broker-dealer and liquidity facility fees):

					Liquidity Support*		
Series	**Outstanding (thousands)**	**Bond Insurer**	**Interest Rate at March 31, 2012**	**Current Interest Rate Mode**	**Type of Liquidity Support**	**Expiration Date**	**Bank Optional Termination Date**
1995C	$ 66,000	None	.770%	Weekly	LOC	12/31/2015	7/1/2012
1995E	66,100	None	.730%	Weekly	LOC	12/31/2015	7/1/2012
2003A-4V	137,500	None**	.970%	Weekly	SBPA	11/16/2015	N/A
2003A-8V	40,885	None***	.845%	Weekly	SBPA	7/16/2014	N/A
2003A-9V	63,350	FSA****	.185%	Auction	N/A	N/A	N/A
2003A-10V	63,325	FSA****	.080%	Auction	N/A	N/A	N/A
2003A-11V	63,350	FSA****	.385%	Auction	N/A	N/A	N/A
2003A-12V	63,325	FSA****	.280%	Auction	N/A	N/A	N/A
2008B-AV	52,730	None	.845%	Weekly	SBPA	6/24/2014	N/A
2008B-BV	52,755	None	.845%	Weekly	SBPA	6/24/2014	N/A
2008B-3V	137,765	None	.860%	Weekly	SBPA	6/24/2014	N/A
2008B-7V	50,885	None	.860%	Weekly	SBPA	6/24/2014	N/A
Total	**$ 857,970**						

* LOC Letter of Credit
SBPA Standby Bond Purchase Agreement
N/A Not Applicable

**These bonds were originally issued as FSA-insured bonds. On December 1, 2010, the bonds were remarketed as uninsured VRDBs after cancellation of the FSA municipal bond insurance policy.

***These bonds were originally issued as FSA-insured bonds. On August 3, 2009, the bonds were remarketed as uninsured VRDBs after cancellation of the FSA municipal bond insurance policy.

****Acquired by Assured Guaranty in 2009.

The interest rates on variable interest rate bonds in the weekly interest rate mode are reset at rates determined by the Corporation's remarketing agents. The interest rates on variable interest rate bonds in the auction rate mode are determined by the Corporation's auction agent in accordance with the auction rate procedures established by Corporate resolution. Pursuant to each bond series' documents, the mode of interest of each of the variable rate bonds may be changed by the Corporation. The Trustee is authorized to draw on each of the Letter of Credit (LOC) facility banks for the entire principal amount of variable interest rate bonds outstanding of each series, plus 70 days of interest calculated at a rate of 12 percent. The LOCs are subject to early termination at the option of the banks at dates shown in the preceding table. The amount available under each Standby Bond Purchase Agreement (SBPA) is equal to the outstanding principal amount and up to 34 days interest at an annual rate of 12 percent. The Series 2003A-9V through Series 2003A-12V bonds are currently in the auction rate mode and do not require liquidity support because investors do not have the right to "demand or put" the bonds back to the Corporation as is the case with all the variable rate bonds in the weekly interest rate mode.

Certain of the Corporation's variable rate bonds are insured with a policy of municipal bond insurance. As of March 31, 2012, the only insured Series of variable rate bonds are the four Series of bonds in Auction Rate Mode, Series 2003A-9V through 12V.

The State dedicated a portion of its sales and use tax revenues to make payments to the Corporation pursuant to a payment agreement between the State Director of the Division of the Budget and the Corporation for the purpose of funding the Corporation's debt service. Subject to appropriation, the State will make these payments to the Corporation five days prior to the debt service due date. The $343.8 million representing 2012 debt service payments is comprised of $206.5 million in principal and $137.3 million in interest.

The Corporation's general bond resolution requires that one or more capital reserve accounts be established and funded based on an amount equal, on an amortized cost basis, to the maximum annual amount on Senior Lien Bonds and half the maximum annual amount on Subordinate Lien Bonds of principal, sinking fund installments or redemption price of, and interest on, all bonds outstanding or on any related reimbursement obligations, coming due during the then current or any succeeding fiscal year. The Corporation may also fund a capital reserve account with a surety bond or other similar instrument. The Corporation has established two separate capital reserve accounts to support bonds based upon the priority of their lien against funds of the Corporation—bonds holding a first lien (Senior Lien) and bonds holding a subordinate lien (Subordinate Lien). At March 31, 2012, the Senior Lien Capital Reserve Account requirement was met by a surety bond of $170 million, expiring on April 1, 2021 and investments with an amortized cost of $91.2 million and a fair market value of $95.5 million. At March 31, 2012, the Subordinate Lien Capital Reserve Account requirement was met with investments with an amortized cost of $87.5 million and a fair market value of $84 million. The investments of both the Senior Lien and Subordinate Lien Capital Reserve Accounts are reported as a part of cash and investments in the Debt Service Fund with a corresponding reservation of fund balance.

The Corporation has entered into interest rate exchange agreements (swap agreements), as disclosed under Note 4 "Interest Rate Exchange Agreements". The effect of these swap agreements is to provide for a synthetic fixed rate of interest on $725.2 million of the Corporation's $725.9 million in bonds that were issued as variable rate bonds in 2003 and 2008.

Estimated annual debt service and net swap payments required to maturity for all of the Corporation's bonds are as follows (amounts in thousands):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2013	$ 244,185	$ 113,227	$ 21,967	$ 379,379
2014	265,000	100,852	21,896	387,748
2015	269,115	90,580	20,844	380,539
2016	288,775	80,830	18,638	388,243
2017	302,390	69,869	16,252	388,511
2018-2022	1,468,925	168,946	56,588	1,694,459
2023-2026	319,575	10,940	5,701	336,216
Totals	**$ 3,157,965**	**$ 635,244**	**$ 161,886**	**$ 3,955,095**

Future debt service in the table above is calculated using rates in effect at March 31, 2012 (rates include remarketing agent, broker-dealer and liquidity facility fees) or variable rate bonds. The net swap payment amounts were calculated by subtracting the future variable rate interest payments subject to swap agreements from the synthetic fixed rate amount intended to be achieved by the swap agreements.

The actual amount of net swap payments is affected by changes in a published index, the London Interbank Offered Rate (LIBOR). To the extent variable interest rates on the Corporation's bonds that are notionally related to the swaps fluctuates above or below 65 percent of the One-Month LIBOR rate, which is a rate that varies from time to time, the Corporation's net debt service will be more or less, respectively, than amounts shown above. Information regarding the terms of the swap agreements is outlined below in Note 4.

The Corporation believes it is in compliance with all significant limitations and restrictions related to bonds outstanding.

(4) Interest Rate Exchange Agreements (Swap Agreements)

Objective of the Swap Agreements

As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in February 2003, the Corporation entered into four pay-fixed interest rate swap agreements in connection with its issuance of $1 billion of variable rate revenue bonds (Series 2003A-BV and Series 2003A-3V through Series 2003A-12V). In February 2004, the Corporation entered into two additional swap agreements in connection with its issuance of $210 million of variable rate revenue bonds (Series 2004A-AV through Series 2004A-DV).

The intention of the swap agreements was to effectively hedge cash flows by changing the Corporation's interest rate on these bonds to a synthetic fixed rate of approximately 3.57 percent for the 2003 bond issue and 3.46 percent for the 2004 bond issue, including support costs and bond insurance fees.

In June 2008, without a change in the swap agreement rates, the Series 2003A-BV, Series 2003A-3V and Series 2003A-7V bonds were refunded with Series 2008B-BV2, Series 2008B-3V and Series 2008B-7V bonds to which the 2003 swaps now correspond. In addition, the Series 2004A-AV, Series 2004A-BV, Series 2004A-CV and Series 2004A-DV bonds were refunded with the Series 2008B-AV, Series 2008B-BV, Series 2008B-CV and Series 2008B-DV bonds.

In June 2009, the Corporation refunded the Series 2003A-5V, Series 2003A-6V, Series 2008B-CV, and Series 2008B-DV VRDBs and remarketed these bonds as fixed rate. As part of the refunding, the Corporation terminated the swaps to which the refunded bonds corresponded.

In September 2011, the Corporation refunded the Series 2008B-BV2 VRDBs with Series 2011A fixed rate bonds. As part of the refunding, the Corporation terminated the swaps to which the refunded bonds corresponded.

Terms of the Interest Rate Swap Agreements

The following table includes the terms for each of the Corporation's individual swap transactions:

Terms	2003 Swap	2004 Swap
Corresponding bond series	2003A-4V, 2003A-8V to 2003A-12V, 2008B-3V, and 2008B-7V	2008B-AV 2008B-BV
Final maturity of bonds	April 1, 2024	April 1, 2021
Inception of swap agreement	February 20, 2003	February 26, 2004
Final maturity of related swap agreements	April 1, 2024	April 1, 2021
Swaps' notional amount	$620 million	$105.2 million
Variable rate bonds	$620.4 million	$105.5 million
Fixed payment rates paid to counterparties	3.15% to 3.26%	3.19%
Variable payments received, computed as	65% of One-Month LIBOR (Weighted Average)	65% of One-Month LIBOR (As of a Specific Date)

The variable rates on the bonds are determined by remarketing agents for bonds in the weekly interest rate mode and by auction results for bonds in the auction rate mode, in accordance with auction rate procedures.

As of March 31, 2012, average rates were as follows:

		Synthetic Rates	
	Terms	**2003 Swap**	**2004 Swap**
Interest rate swap agreement:			
Weighted average fixed payment to counterparty	Fixed	3.19%	3.19%
Less variable payment from counterparty	65% of One-Month LIBOR	(.16%)	(.16%)
Net interest rate swap payments		**3.03%**	**3.03%**
Weighted average variable rate bond coupon payments (includes support costs)		.63%	.85%
Approximate synthetic interest rate on Bonds		**3.66%**	**3.88%**

The fair value balances and notional amounts of derivative instruments outstanding at March 31 2012, classified by type and the changes in fair value of such derivative instruments for the year then ended as reported in the financial statements are as follows (amounts in millions):

	Change in Fair Value		**Fair Value at March 31, 2012**		
	Classification	Amount	Classification	Amount	Notional
Cash Flow Hedge:					
Pay Fixed Interest Rate Swap	Deferred outflow	($21.7)	Derivative Instrument	($93.6)	$725.2

The interest rate swaps were evaluated to be effective hedges for accounting and financial reporting purposes at March 31, 2012. Accordingly, the cumulative change in fair value of the swaps that occurred as a deferred outflow at March 31, 2011 ($71.9) million and the decrease in fair value of the swaps in fiscal year 2012 of ($21.7) million are combined with unamortized deferred outflow of $62.4 million and reported as a deferred outflow of $31.2 million at March 31, 2012.

Fair Value of the Interest Rate Swap Agreements

Due to the fact that interest rates have changed since execution of the swaps, the swaps had an estimated fair value at March 31, 2012 equal to their termination cost which would have required the Corporation to pay $93.6 million to its swap counterparties at March 31, 2012 had it terminated the swaps at that date. The fair value of the swaps fluctuate with the change in the One-Month LIBOR rate, the index upon which the amount of the payments the Corporation is due each month from its swap counterparties is based. Because the interest the Corporation pays on variable rate bonds adjusts with changing market based interest rates, the bonds do not have a corresponding change in their fair value. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Counterparty and Credit Risk of the Interest Rate Swap Agreements

In concert with the Corporation's statute and guidelines, the swap agreements require that each counterparty has credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories. Ratings which are obtained from any other nationally recognized statistical rating agencies for such counterparty shall be within the three highest investment grade categories, or the payment obligations of the counterparty must be unconditionally guaranteed by an entity with such credit ratings. The swap agreements also require that, should the credit rating of a counterparty fall below the rating required, the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States of America, with a net market value of at least 102 percent of the net market value of the contract to the Corporation, and such collateral shall be deposited with the Corporation or its agent.

At March 31, 2012, the credit ratings of the five counterparties with which the Corporation has entered into interest rate swap agreements are as follows: Morgan Stanley, A2/A-/A; JP Morgan Chase Bank, Aa1/A+/AA-; UBS AG, Aa3/A/A; Societe Generale, A1/A/A+, and Goldman Sachs Mitsui Marine, Aa1/AAA/--.

At March 31, 2012, two of the five counterparties that the Corporation has entered into interest rate swap agreements with, Morgan Stanley (since October 13, 2008) and Societe Generale (since December 9, 2011), had ratings (shown in preceeding paragraph) that do not meet the requirement of a rating from at least one agency within the two highest investment grade categories. Therefore, if the swap valuation was such that a termination payment was due to the Corporation from either Morgan Stanley or Societe Generale, the relevant counterparty would have to post collateral. The Corporation monitors the credit position of its counterparties daily in order to be prepared to take appropriate action.

Basis Risk of the Interest Rate Swap Agreements

The swap agreements expose the Corporation to basis risk should the relationship between the LIBOR and actual variable rate payments converge, changing the effective synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (approximately 3.57 percent for the 2003 notional amount and 3.46 percent for the 2004 notional amount) and the actual synthetic rate. The average actual synthetic rate at March 31, 2012 is reflected in the table on page 19.

Termination Risk of the Interest Rate Swap Agreements

The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes "additional termination events," providing that the swaps may be terminated if either the Corporation's or a counterparty's credit quality rating falls below certain levels. Either the Corporation or the counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. If one or more of the swap agreements is terminated, the related variable rate bonds would no longer be hedged and the Corporation would no longer effectively be paying a synthetic fixed rate with respect to those bonds. Also, if at the time of termination the swap has a negative fair value, the Corporation would be liable to the counterparty for a payment equal to the swap agreement's fair value.

(5) Changes in Long-Term Liabilities

Long-term liability activity for the year ended March 31, 2012 was as follows (amounts in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Bonds payable	$ 3,369,080	$ 184,040	$ 395,155	$ 3,157,965	$ 244,185
Unamortized premium	135,139	30,547	14,684	151,002	-
Unaccreted discount on bonds	(7,576)	-	(2,910)	(4,666)	-
Deferred loss on advance refunding of bonds	(72,070)	(13,899)	(8,489)	(77,480)	-
Net bonds payable	**3,424,573**	**200,688**	**398,440**	**3,226,821**	**244,185**
Other Liability:					
Rebate of investment earnings to the Federal government	925	-	21	904	-
Long-term liability activity	**$ 3,425,498**	**$ 200,688**	**$ 398,461**	**$ 3,227,725**	**$ 244,185**

(6) Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Statement of Net Assets (Deficit)

Long-term liabilities of the Corporation's activities are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets (Deficit). Fair value of swap derivatives and the related deferral are not recognized in the current period and, therefore, are not reported in the funds. The fair values of the swap derivatives are reported in the Statement of Net Assets (Deficit). Balances at March 31, 2012 were (amounts in thousands):

Bonds payable, net	$	3,226,821
Accrued interest on bonds payable		68,536
Unamortized bond issuance costs		(9,939)
Fair value of swap derivatives		93,631
Deferred outflows		(31,223)
Rebate of investment earnings to the Federal government not due and payable at year-end		904
Net adjustment	**$**	**3,348,730**

(7) Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Repayment of bond principal and payment of bond issuance costs are reported as an expenditure in the governmental funds and, therefore, contribute to the change in fund balance. In the Statement of Net Assets (Deficit), however, repaying bond principal decreases long-term liabilities and payment of bond issuance costs becomes an asset to be deferred over the life of the bonds and does not affect the Statement of Activities. Similarly, recognition of revenues and expenditures not expected to be received or paid in the current year will not affect the fund balance reported for the governmental funds. In the Statement of Activities prepared on the full accrual basis, however, all revenues and expenses are recognized in the year they are earned or incurred, regardless of when they are paid, and will therefore be reflected in the Statement of Activities. These differences in measurement recognition affect both the reported fund balance and reported net assets. Adjustments required to be made to the reported governmental funds expenditures in order to arrive at the Statement of Activities for March 31, 2012 are as follows (amounts in thousands):

Adjustments to expenditures:		
Repayment of bond principal:		
To bondholders for repayment of debt	$	(206,450)
Adjustment for expense not due at year-end		(22)
Amortization of loss on refunding of bonds		7,601
Amortization of premium on refunding of bonds		(14,684)
Amortization of issuance costs on refunding of bonds		834
Net adjustment to arrive at interest expense		39,314
Net adjustment to expenditures	**$**	**(173,407)**

(8) Subsequent Events

In June 2012, the Corporation issued fixed rate Series 2012A Subordinate Lien Refunding Bonds totaling $86,845,000 through a competitive sale. The bonds were issued in order to refund $125.9 million of Senior Lien Variable Interest Rate Bonds, Series 1995C and 1995E.

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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

The Board of Directors
New York Local Government Assistance Corporation:

We have audited the financial statements of the governmental activities and each major fund of the New York Local Government Assistance Corporation (the Corporation), a blended component unit of the State of New York, as of and for the year ended March 31, 2012, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated June 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Corporation's internal control over financial reporting.

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 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.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, management of the Corporation, the New York State Legislature, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 18, 2012