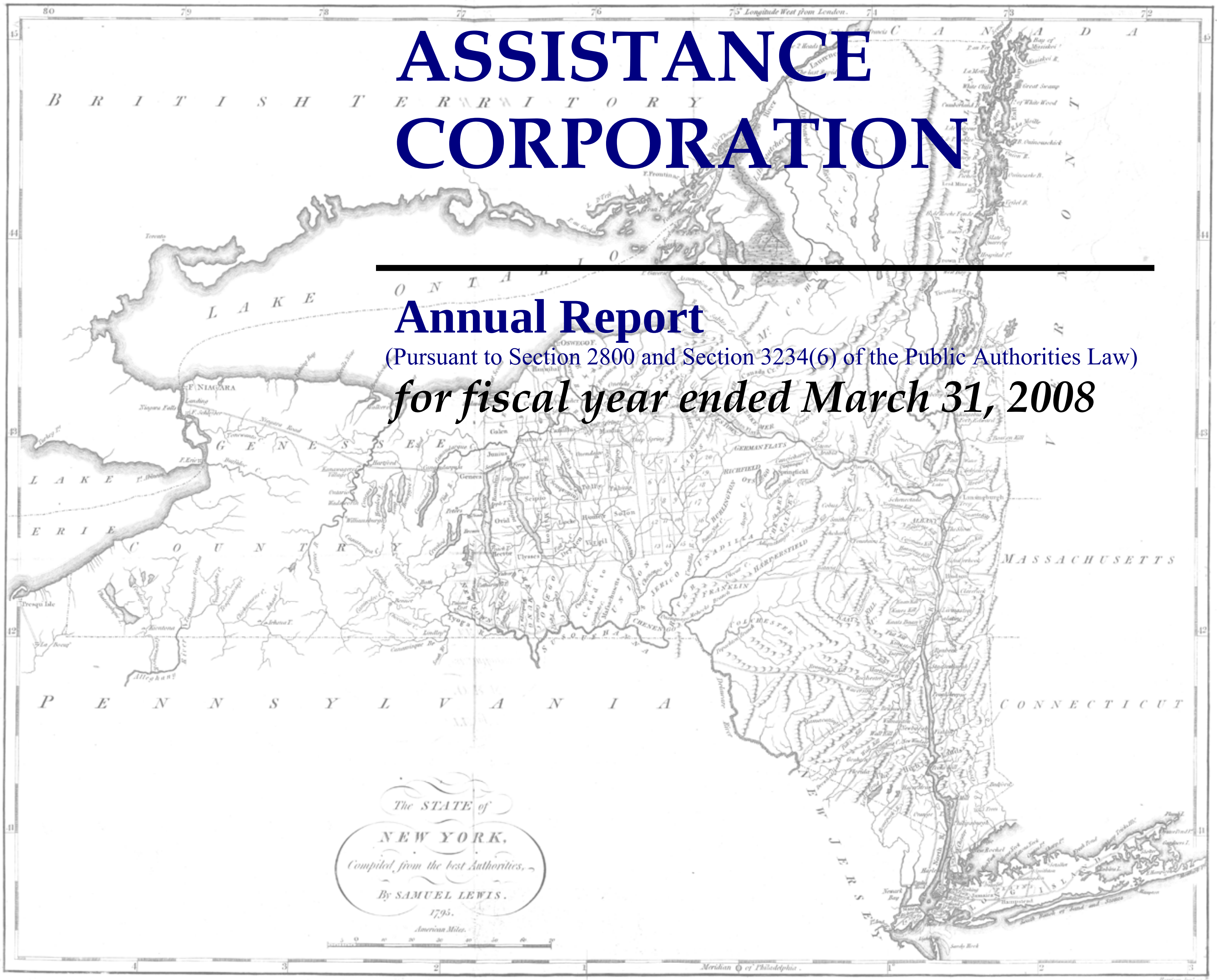
NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

Annual Report

(Pursuant to Section 2800 and Section 3234(6) of the Public Authorities Law)

for fiscal year ended March 31, 2008



A REPORT TO:

The Honorable David Paterson
Governor of the State of New York

The Honorable Thomas P. DiNapoli
Comptroller of the State of New York

The Honorable Joseph Bruno
Majority Leader and President Pro Tem
New York State Senate

The Honorable Sheldon Silver
Speaker
New York State Assembly

The Honorable Owen H. Johnson
Chairman
Senate Finance Committee

The Honorable William T. Stachowski
Ranking Minority Member
Senate Finance Committee

The Honorable Herman D. Farrell, Jr.
Chairman
Assembly Ways and Means Committee

The Honorable Jim Hayes
Ranking Minority Member
Assembly Ways and Means Committee

Submitted by the Chairperson and Directors of the
NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

BOARD OF DIRECTORS:

Mr. Patrick Bulgaro	Chairperson and Director
Ms. Laura Anglin	Vice Chairperson and Director
Honorable Thomas P. DiNapoli	Director
Ms. Priscilla Almodovar	Director
Ms. Diana Jones Ritter	Director
Mr. Marc Shaw	Director
Mr. Kevin Murray	Director

EXECUTIVE STAFF*: (as of May 20, 2008)*

Ronald Greenberg	Co-Executive Director
Margaret N. Becker	Co-Executive Director
The Honorable Andrew M. Cuomo	General Counsel
Patricia Warrington	Treasurer
James Kiyonaga	Secretary

ORIGIN AND PURPOSES OF THE CORPORATION

The New York Local Government Assistance Corporation ("LGAC" or the “Corporation”) was created as a State public benefit corporation on June 11, 1990 by Chapter 220 of the Laws of 1990 (as amended). LGAC's fiscal year begins on April 1 and ends on March 31.

LGAC was created and authorized to issue bonds or notes to make payments of up to $4.7 billion primarily to local governments and school districts in New York State. Legislative authorization was required annually to specify the use of LGAC bond or note proceeds, thereby authorizing issuance of bonds for those particular purposes. The Corporation issued the last of its $4.7 billion authorization during the 1995-96 fiscal year, completing the Corporation’s issuances for local assistance payments. The Corporation may now issue bonds only for the purpose of refunding outstanding bonds of the Corporation to achieve interest rate savings.

LGAC was created as an integral part of an overall program of State fiscal reform to eliminate the State's practice of financing substantial amounts of local assistance payments during the first quarter of the State's fiscal year through the issuance of short-term tax and revenue anticipation notes (the "Spring Borrowing"). LGAC’s bonds were issued for the purpose of making local assistance payments in a manner that provides such funds to entities earlier than had been the State's traditional practice. The success of LGAC's program is evidenced by the fact that the State has not conducted a Spring Borrowing since the1993-94 fiscal year.

GOVERNANCE

Until January 13, 2006, LGAC was governed by a three member Board of Directors, comprised of the State Comptroller and the Director of the Budget of the State of New York, both of whom serve "ex officio," and a third Director who is appointed by the Governor. On January 13, 2006, the Governor signed The Public Authorities Accountability Act (Chapter 766 of the Laws of 2005). This Act included an amendment to Section 3234 of the Public Authorities Law to increase the number of LGAC Board members from three to seven. With the exception of Diana Jones Ritter, each of the appointed Directors was appointed by the prior Governor and continues to serve until a successor is chosen and qualified. The Directors receive no compensation from LGAC.

In addition, the Secretary to the Senate Finance Committee of the State Senate and the Secretary to the Ways and Means Committee of the State Assembly are non-voting representatives on the Board.

The Directors establish, direct and monitor adherence to LGAC's policies and approve all major activities of the Corporation, including each issuance of bonds or notes by LGAC. A unanimous vote of the Directors is necessary to authorize the issuance of bonds or notes by the Corporation.

OPERATIONS

State officers and employees act as officers and staff of the Corporation. The LGAC Directors appoint the officers of LGAC. During a portion of the 2007-08 Fiscal Year Laura Anglin, former First Deputy Director in the Division of the Budget, served as Co-Executive Director. On January 1, 2008, Ms. Anglin became an Ex-Officio Director of the Corporation as a result of her appointment to the position of Budget Director in the Division of the Budget. Ronald Greenberg, First Deputy Director in the Division of the Budget was appointed by the Board on May 20, 2008 to replace Laura Anglin as Co-Executive Director. Mary Louise Mallick, First Deputy Comptroller in the Office of the State Comptroller also served as Co-Executive Director during the 2007-08 Fiscal Year. On May 20, 2008, the Board appointed Margaret Becker to replace Mary Louise Mallick. Patricia Warrington, Assistant Comptroller for Debt Management and Policy in the Office of the State Comptroller serves as LGAC's Treasurer and Jay Kiyonaga of the Division of the Budget serves as Secretary. Thomas Lukacs of the Division of the Budget was appointed by the Board in July 2007 to serve as the Corporation’s Internal Control Officer. The State's Attorney General, the Honorable Andrew M. Coumo, is General Counsel for LGAC. In addition, Section 3236 of the Public Authorities Law requires the Corporation to enter into an agreement with the State Comptroller whereby the Comptroller is the "Exclusive Agent" for the sale of Corporation bonds and notes. Exclusive Agent Agreements to date have also delegated the administration of a number of on-going responsibilities including the investment of the Corporation's funds. State officers and staff receive no compensation from LGAC for services provided to the Corporation.

The Legislature appropriated and the State paid $6 million, pursuant to the Chairperson’s certification, to LGAC for operating expenses in its fiscal year ending March 31, 2008. These funds were used principally for payments to the Corporation's trustee, remarketing agents and broker-dealers for the Corporation’s variable interest rate bonds, the banks providing letters-of-credit (LOC’s) or standby bond purchase support for the Corporation’s variable interest rate bonds, and the Corporation’s financial advisor and bond counsel. The Corporation's appropriation was sufficient for all payments.

CORPORATION BONDS

The Corporation's bonds are general obligations of LGAC. Payments of debt service on the Corporation's bonds are made from appropriations received from the State. Pursuant to the Act establishing the Corporation, the State deposits 1 cent of the State's sales and use tax into the Local Government Assistance Tax Fund (LGATF), a joint custody fund of the State Comptroller and the State Commissioner of Taxation and Finance. The State uses this Fund to make payments to the Corporation. Amounts in excess of the Corporation's needs are transferred from the LGATF to the State's General Fund after the Corporation's requirements have been met as provided by statute and as certified by the Chairperson of the Corporation and all other obligations subject to impoundment have been satisfied. In the 2007-08 fiscal year, $2.358 billion was transferred to the State's General Fund. 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.

If on any date there are insufficient moneys in the LGATF to make a required payment to the Corporation, the Comptroller is required to transfer sufficient moneys from the State's General Fund to make up the deficiency. To date no such transfers have been required.

The Corporation's bonds are rated by the three major rating agencies as follows: AAA by Standard and Poor's, Aa3 by Moody's Investors Service, and AA- by Fitch Ratings.

During the 2007-08 Fiscal Year, the Corporation issued refunding bonds in August 2007 and February 2008, totaling $387.3 million and $392.6 million, respectively. These refunding bonds, which were issued to current refund previously issued Senior Lien bonds, will result in new cash flow savings to the Corporation and the State over the life of the bonds of $55.7 million, with a present value of $43.4 million

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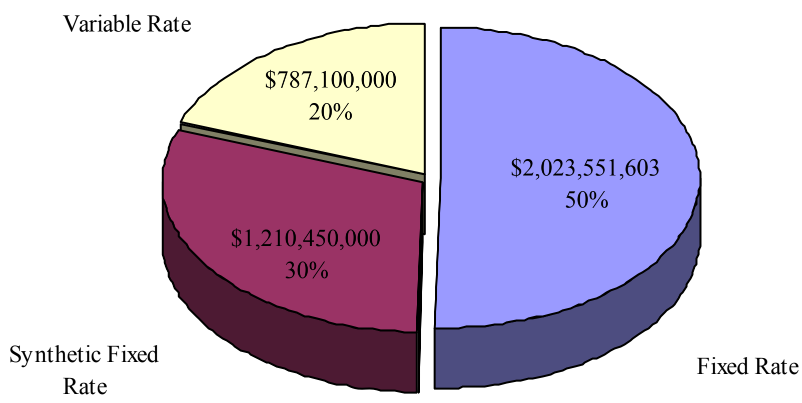
BONDS OUTSTANDING

Bonds Outstanding $4.0 Billion
(as of March 31, 2008)

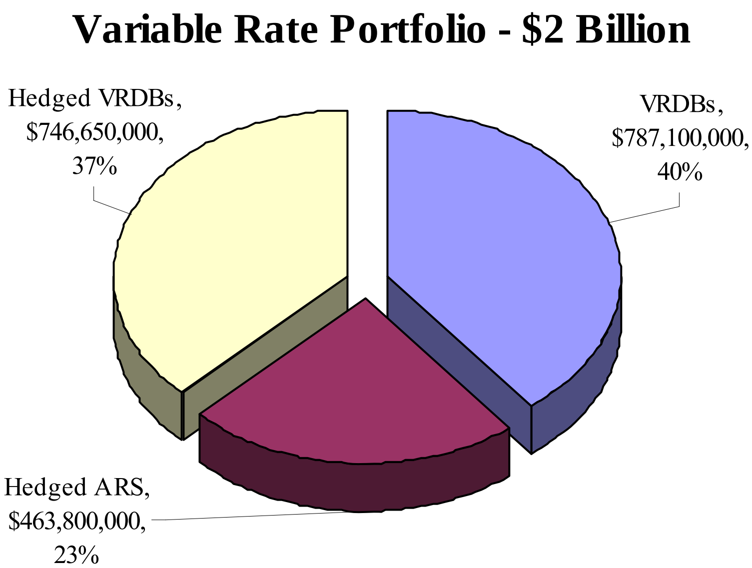


The Corporation had bonds outstanding totaling $4.0 billion as of March 31, 2008, excluding the increase in appreciated value of capital appreciation bonds. Approximately $158.1 million in interest had accreted on the Corporation's outstanding capital appreciation bonds as of March 31, 2008 of which $70.1 million has matured and been paid to investors and $88.0 million remains accreted and not yet due.

As of March 31, 2008, the Corporation had $2 billion of variable interest rate debt in twenty-three series of bonds outstanding as follows:

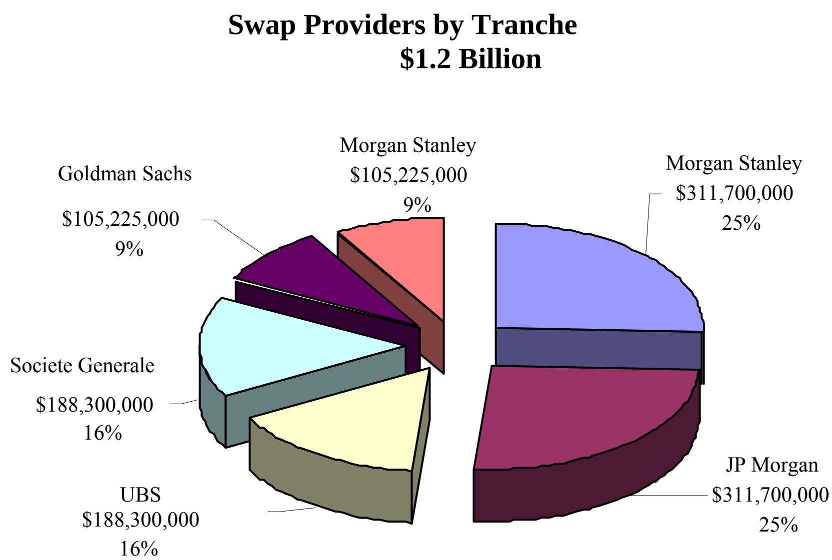
					Liquidity Support		
Series	**Outstanding (thousands)**	**Bond Insurer**	**Interest Rate at March 31, 2008**	**Current Interest Rate Mode**	**Type of Liquidity Support ***	**Expiration Date**	**Bank Optional Termination Date**
1993A	$ 207,600	None	2.320%	Weekly	LOC	10/31/2015	12/31/2010
1994B	116,300	None	2.400%	Weekly	LOC	10/31/2015	12/31/2010
1995B	77,600	None	2.080%	Weekly	LOC	7/1/2010	N/A
1995C	77,000	None	2.080%	Weekly	LOC	12/31/2015	7/1/2010
1995D	77,000	None	2.310%	Weekly	LOC	7/1/2010	N/A
1995E...........	77,100	None	2.330%	Weekly	LOC	12/31/2015	7/1/2010
1995F	77,200	None	2.380%	Weekly	LOC	7/1/2010	N/A
1995G	77,300	None	2.360%	Weekly	LOC	7/1/2010	N/A
2003A-BV ...	188,320	FGIC	7.075%	Weekly	SBPA	2/20/2009	N/A
2003A-3V....	137,500	FGIC	8.790%	Weekly	SBPA	12/1/2015	2/1/2010
2003A-4V....	137,500	FSA	2.340%	Weekly	SBPA	12/31/2015	12/31/2010
2003A-5V....	91,665	FSA	1.875%	Weekly	SBPA	2/20/2009	N/A
2003A-6V....	100,000	FSA	1.880%	Weekly	SBPA	2/20/2009	N/A
2003A-7V....	50,780	FGIC	7.725%	Weekly	SBPA	2/20/2009	N/A
2003A-8V....	40,885	FSA	2.165%	Weekly	SBPA	2/20/2009	N/A
2003A-9V....	63,350	FSA	3.051%	Auction	None	N/A	N/A
2003A-10V..	63,325	FSA	3.139%	Auction	None	N/A	N/A
2003A-11V..	63,350	FSA	3.051%	Auction	None	N/A	N/A
2003A-12V..	63,325	FSA	3.139%	Auction	None	N/A	N/A
2004A-AV ...	52,600	CIFG	3.611%	Auction	None	N/A	N/A
2004A-BV ...	52,625	CIFG	3.717%	Auction	None	N/A	N/A
2004A-CV ...	52,600	CIFG	3.611%	Auction	None	N/A	N/A
2004A-DV ...	52,625	CIFG	3.717%	Auction	None	N/A	N/A
Total	**$ 1,997,550**						

* VRDB - Variable Rate Demand Bond
Auction - Auction Rate Security with no put back provision
LOC - Letter of Credit
SBPA - Standby Bond Purchase Agreement
N/A - Not Applicable



At March 31, 2008, 50 percent of the Corporation's bonds were in a fixed rate mode and 50 percent in variable rate mode. However, the Corporation has entered into interest rate exchange agreements (swaps) totaling $1.2 billion. These agreements provide for a synthetic fixed rate of interest, thereby reducing the Corporation's overall unhedged variable rate exposure to 20 percent of its bond portfolio.

LGAC swap counterparties are diversified among five providers with one, Morgan Stanley, participating in two different tranches.



The following schedule presents the projected notional amount of the Corporation's currently outstanding swap agreements through final termination. All of the swaps are variable rate to fixed rate.

Fiscal Year Ending	2003 Swaps Projected Notional Amount of Swaps Outstanding	2004 Swaps Projected Notional Amount of Swaps Outstanding	Total Swaps Projected Notional Amount of Swaps Outstanding
3/31/2009	$ 1,000,000,000	$ 210,450,000	$ 1,210,450,000
3/31/2010	$ 1,000,000,000	$ 210,450,000	$ 1,210,450,000
3/31/2011	$ 1,000,000,000	$ 210,450,000	$ 1,210,450,000
3/31/2012	$ 1,000,000,000	$ 210,450,000	$ 1,210,450,000
3/31/2013	$ 1,000,000,000	$ 210,450,000	$ 1,210,450,000
3/31/2014	$ 995,475,000	$ 210,450,000	$ 1,205,925,000
3/31/2015	$ 926,400,000	$ 210,450,000	$ 1,136,850,000
3/31/2016	$ 850,875,000	$ 204,700,000	$ 1,055,575,000
3/31/2017	$ 772,900,000	$ 198,450,000	$ 971,350,000
3/31/2018	$ 673,160,000	$ 173,950,000	$ 847,110,000
3/31/2019	$ 489,605,000	$ 148,550,000	$ 638,155,000
3/31/2020	$ 402,595,000	$ 95,300,000	$ 497,895,000
3/31/2021	$ 308,895,000	$ 20,100,000	$ 328,995,000
3/31/2022	$ 154,005,000	$ -	$ 154,005,000
3/31/2023	$ 79,340,000	$ -	$ 79,340,000
3/31/2024	$ 24,360,000	$ -	$ 24,360,000
3/31/2025	$ -	$ -	$ -

The following schedules provide detailed historical information regarding the Corporation's bonds issued, refunded, retired and outstanding as of March 31, 2008.

New York Local Government Assistance Corporation
Schedule of Bonds Outstanding with Amounts Issued and Retired
During Fiscal Year ended March 31, 2008

Bond Issue and Description	Original Amount Issued *	Balance at March 31, 2007 *	Issued	Retired **	Balance at March 31, 2008 *
Series 1991A, Dated February 27, 1991, Maturing through 4/1/2020, Serial and Term bonds @ 5.7% to 7.25%	$ 909,988,476.45	$ 20,394,139.45	$ -	$ 10,555,887.00	$ 9,838,252.45
Series 1991B, Delivered June 25, 1991, Maturing through 4/1/2021, Serial and Term bonds @ 4.9% to 7.5%	558,160,276.55	17,425,276.55	-	-	17,425,276.55
Series 1991C, Delivered September 24, 1991, Maturing through 4/1/2021, Serial and Term bonds @ 5.2% to 7.0%	449,307,764.90	4,828,249.65	-	4,828,249.65	-
Series 1991D, Delivered December 19, 1991, Maturing through 4/1/2021, Serial and Term bonds @ 4.7% to 7.0%	448,200,000.00	-	-	-	-
Series 1992A, Delivered March 4, 1992, Maturing through 4/1/2021, Serial and Term bonds @ 3.6% to 7.125%	335,580,000.00	-	-	-	-
Series 1992B, Delivered September 18, 1992, Maturing through 4/1/2021, Serial and Term bonds @ 3.0% to 6.25%	389,095,000.00	-	-	-	-
Series 1992C, Delivered December 22, 1992, Maturing through 4/1/2022, Serial and Term bonds @ 3.4% to 6.25%	309,390,000.00	52,985,000.00	-	-	52,985,000.00
Series 1993A, Delivered March 30, 1993, Maturing through 4/1/2022, Serial bonds @ variable rates.	290,500,000.00	216,000,000.00	-	8,400,000.00	207,600,000.00
Series 1993B, Delivered April 6, 1993, Maturing through 4/1/2021, Serial and Term bonds @ 4.4% to 5.5%	355,310,000.00	-	-	-	-
Series 1993C, Delivered July 22, 1993, Maturing through 4/1/2021, Serial and Term bonds @ 4.3% to 5.5%	639,763,073.80	176,153,073.80	-	-	176,153,073.80
Series 1993D&E, Delivered December 23, 1993, Maturing through 4/1/2023, Serial and Term bonds @ 3.2% to 6.0%	700,955,000.00	350,710,000.00	-	2,200,000.00	348,510,000.00
Series 1994A, Delivered February 24, 1994, Maturing through 4/1/2023, Serial and Term bonds @ 3.0% to 5.375%	148,850,000.00	-	-	-	-
Series 1994B, Delivered March 17, 1994, Maturing through 4/1/2023, Serial bonds @ variable rates.	156,400,000.00	120,600,000.00	-	4,300,000.00	116,300,000.00
Series 1995A, Delivered March 23, 1995, Maturing through 4/1/2024, Serial and Term bonds @ 5.0% to 6.0%	347,065,000.00	-	-	-	-
Series 1995B-G, Delivered July 6, 1995, Maturing through 4/1/2025, Serial bonds @ variable rates.	588,900,000.00	477,300,000.00	-	14,100,000.00	463,200,000.00
Series 1996A, Delivered December 3, 1996, Maturing through 4/1/2019, Serial and Term bonds @ 4.25% to 6.0%	499,480,000.00	439,500,000.00	-	406,210,000.00	33,290,000.00
Series 1997A, Delivered June 19, 1997, Maturing through 4/1/2015, Serial bonds @ 4.4% to 6.0%	243,020,000.00	138,455,000.00		126,940,000.00	11,515,000.00
Series 1997B, Delivered January 7, 1998, Maturing through 4/1/2021, Serial and Term bonds @ 4.5% to 5.5%	499,060,000.00	368,395,000.00	-	350,950,000.00	17,445,000.00
Series 1998A, Delivered October 20, 1998, Maturing through 4/1/2018, Serial and Term bonds @ 4.25% to 5.0%	307,290,000.00	252,585,000.00	-	1,480,000.00	251,105,000.00
Series 2003A, Delivered February 20, 2003, Maturing through 4/1/2024, Serial bonds @ 2.25% to 5.0% on $349.7 million fixed rate bonds and variable on $1 billion variable rate bonds.	1,349,660,000.00	1,349,660,000.00	-	32,815,000.00	1,316,845,000.00
Series 2004A, Delivered February 26, 2004, Maturing through 4/1/2021, Serial bonds @ 2.0% to 3.375% on $12.9 million fixed rate bonds and variable on $210.5 million variable rate bonds.	223,340,000.00	218,960,000.00	-	-	218,960,000.00
Series 2007A, Delivered August 22, 2007, Maturing through 4/1/2019, Serial bonds @ 5.0%.	387,320,000.00	-	387,320,000.00	-	387,320,000.00
Series 2008A, Delivered February 28, 2008, Maturing through 4/1/2021, Serial bonds @ 3.25% to 5.0%.	392,610,000.00	-	392,610,000.00	-	392,610,000.00
Total	$ 10,529,244,591.70	$ 4,203,950,739.45	$ 779,930,000.00	$ 962,779,136.65	$ 4,021,101,602.80

* Capital Appreciation Bonds are shown at original issue amount (unaccreted values).
** Scheduled maturities of all variable rate bonds require issuance of a Call Notice.

New York Local Government Assistance Corporation
Bonds Refunded* by Refunding Transaction or Use of Proceeds From Capital Reserve Fund Release
All Amounts are Par or Unaccreted Amounts
From Inception through March 31, 2008

Series	1993B	1993C	1993E	1996A	1997A	1997B	1998A	2000 Capital Reserve Release **	2003A	2004A	2007A	2008A	Total
1991A	$ -	$ 116,845,000	$ -	$ 110,705,000	$ 59,120,000	$ 160,630,000	$ -	$ 25,025,000	$ -	$ -	$ -	$ -	$ 472,325,000
1991B	297,320,000	43,725,000	-	55,085,000	15,945,000	14,885,000	13,910,000	-	-	-	-	-	440,870,000
1991C	-	168,680,000	231,160,000	45,170,000	97,990,000	25,515,000	-	11,595,000	-	-	-	-	580,110,000
1991D	-	159,180,000	94,725,000	62,300,000	25,460,000	22,340,000	-	10,135,000	-	-	-	-	374,140,000
1992A	-	48,900,000		177,970,000	29,700,000	16,780,000	-	7,615,000	-	-	-	-	280,965,000
1992B	-	-	-	-	-	112,195,000	196,925,000	9,480,000	-	-	-	-	318,600,000
1992C	-	-	-	-	-	105,535,000	15,350,000	7,055,000	78,585,000	-	-	-	206,525,000
1993A	-	-	-	-	-	-	-	11,000,000	-	-	-	-	11,000,000
1993B	-	-	-	-	-	-	-	13,530,000	333,525,000	-	-	-	347,055,000
1993C	-	-	-	-	-	-	-	13,050,000	339,295,000	89,565,000	-	-	441,910,000
1993D	-	-	-	-	-	-	-	2,530,000	185,295,000	97,335,000	-	-	285,160,000
1993E	-	-	-	-	-	-	-	-	1,820,000	-	-	-	1,820,000
1994A	-	-	-	-	-	-	-	3,805,000	104,115,000	17,890,000	-	-	125,810,000
1994B	-	-	-	-	-	-	-	500,000	-	-	-	-	500,000
1995A	-	-	-	-	-	-	65,850,000	25,180,000	212,205,000	-	-	-	303,235,000
1995B	-	-	-	-	-	-	-	3,500,000	-	-	-	-	3,500,000
1995C	-	-	-	-	-	-	-	1,700,000	-	-	-	-	1,700,000
1995D	-	-	-	-	-	-	-	3,700,000	-	-	-	-	3,700,000
1995E	-	-	-	-	-	-	-	3,600,000	-	-	-	-	3,600,000
1995F	-	-	-	-	-	-	-	4,000,000	-	-	-	-	4,000,000
1995G	-	-	-	-	-	-	-	1,100,000	-	-	-	-	1,100,000
1996A	-	-	-	-	-	-	-	-	4,735,000	-	302,100,000	79,300,000	386,135,000
1997A	-	-	-	-	-	-	-	-	-	-	101,930,000	905,000	102,835,000
1997B	-	-	-	-	-	-	-	-	42,295,000	-	-	327,820,000	370,115,000
Total	$ 297,320,000	$ 537,330,000	$ 325,885,000	$ 451,230,000	$228,215,000	$ 457,880,000	$ 292,035,000	$ 158,100,000	$ 1,301,870,000	$ 204,790,000	$ 404,030,000	$ 408,025,000	$ 5,066,710,000

* All bonds refunded were defeased to an available call date selected at the time of the refunding.

** On March 9, 2000, the Corporation released $170 million of it's capital reserves to defease $129.1 million in bonds and call and redeem an additional $29 million in outstanding bonds on April 3, 2000. The monies released from the Capital Reserve Fund were replaced with a surety bond.

*** In addition to transactions listed above, Series 1995B-G bond proceeds in the amount of $529 million were use to replace an equal amount of outstanding bond anticipation notes.

DEBT SERVICE PAYMENTS AND SOURCE OF FUNDS FOR PAYMENTS

During its 2007-08 fiscal year, LGAC made $360.3 million in net debt service payments on its outstanding fixed and variable rate bonds and associated interest rate exchange agreements. These debt service payments were made from monies received from the State and other moneys available to LGAC (i.e., investment earnings on the Corporation's capital reserve fund and debt service funds).

The Office of the State Comptroller reported to the Corporation that approximately $10.6 billion was received by the State from the sales tax during the State's 2007-08 fiscal year. This amount reflects a 5.3 percent increase from the amount received during the 2006-07 fiscal year. The following schedule provides historical information relating to sales tax receipts from State fiscal years 1998-99 through 2007-08.

SALES TAX RECEIPTS (1)
(Millions of Dollars)

State Fiscal Year	Net Receipts Of Sales Tax (At 4%)(2)	Net Receipts of 1% Sales Tax (2)	Annual Rate of Growth (Decline)(3)
1998-1999	7,587	1,897	4.61%
1999-2000	8,187	2,047	7.89%
2000-2001	8,363	2,091	2.15%
2001-2002	8,175	2,044	(2.25)%
2002-2003	8,434	2,106	3.07%
2003-2004(4)	9,508	2,267	7.61%
2004-2005(5)	10,587	2,493	9.97%
2005-2006(6)	10,592	2,615	4.89%
2006-2007	10,050	2,511	(3.94)%
2007-2008	10,590	2,646	5.34%

(1) These amounts reflect receipts of the full amount of the sales and compensating use tax deposited in the General Fund and the Local Government Assistance Tax Fund.
(2) Net of refunds; between 6/1/2003 – 5/31/2005 the sales tax rate was changed to 4.25% and on 6/1/2005 the sales tax rate was lowered to 4.00%.
(3) Unadjusted for rate and base changes. Represents growth rate of 1% Sales Tax.
(4) Reflects the temporary rate increase of 0.25 percent and the temporary suspension of the permanent clothing exemption, both effective June 1, 2003 and the loss in non-recurring EFT revenue gain of $33 million and the loss of $65 million in amnesty in the State's 2002-03 fiscal year.
(5) Reflects the full-year impact of the temporary rate increase and clothing legislation enacted in 2003-04.
(6) Reflects the postponement of the permanent exemption on clothes and footwear priced under $110.

The following schedule provides information relating to the debt service coverage ratio for the Corporation's outstanding bonds using receipts from the 1% sales tax during the 2007-08 fiscal year:

	(Dollars in Thousands)
2007-08 Fiscal Year 4% Sales Tax Receipts	$10,590,481
2007-08 Fiscal Year 1% Sales Tax Receipts (1)	$ 2,645,580
Maximum Annual Debt Service (2)	$ 399,472
Debt Service Coverage (3)	6.62

(1) Net of approximately $14.81 million in collection expenses. Does not include interest earnings during periods the Sales Tax is impounded.
(2) Maximum Annual Debt Service was calculated assuming 4% interest on variable rate debt subject to swaps and 6% on variable rate debt not subject to swaps.
(3) Assumes no interest earnings on the Capital Reserve Fund.

CODE OF ETHICS

This Code of Ethics shall apply to all directors, officers and employees of the New York Local Government Assistance Corporation

All New York Local Government Assistance Corporation directors, officers and employees, whether compensated or not, shall comply with the provisions of subdivision (8) of section 73, and sections 73-a, 73-b and 74 of the Public Officers Law (POL). For purposes of this Code of Ethics any exclusion applicable to the aforementioned provisions of the POL from the definition of "state officer or employee" for members or directors of a public authority or public benefit corporation who receive no compensation or are compensated on a per diem basis or who do not receive compensation above a filing rate shall not apply to directors of the New York Local Government Assistance Corporation and such provisions shall apply as if there were no such exclusion.

ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

In accordance with the Public Authorities Accountability Act of 2005 (Act), this annual report includes an assessment of the effectiveness of the New York Local Government Assistance Corporation's (Corporation) internal control structure and procedures. Because the Corporation utilizes the services of a trustee bank, which has custody of all of the Corporation's resources and makes disbursements for all of the Corporation's expenditures in accordance with directions provided to it by the Corporation, the Corporation's internal controls are also affected by the procedures and policies of the trustee bank furnishing services to the Corporation.

In accordance with Section 2931 of the Public Authorities Law (PAL), the Corporation's Board of Directors (Board) is responsible for the establishment and maintenance of the Corporation's system of internal control and a program of internal control review. In addition, the Board is required to appoint an internal control officer to implement and review the Board's system of internal controls.

The Corporation's day to day operations are conducted by staff of the Office of the State Comptroller utilizing procedures and systems that are subject to internal control processes and reviews of the Office of the State Comptroller. Accordingly, the day to day activities of the Corporation are conducted within a comprehensive system of internal controls that are subject to on-going review and testing by the Office of the State Comptroller.

Corporation management (management) conducted an assessment of the effectiveness of the Corporation's internal control system as of March 31, 2008, utilizing the criteria described in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As part of its assessment, management obtained and reviewed an independent audit report on controls over the trustee bank that furnishes bank trustee and custodial services to the Corporation and an independent audit report on internal controls over financial reporting each issued by KPMG LLP. In addition, management reviewed the Corporation's internal control guidelines and policies and procedures, interviewed members of the Corporation's staff and analyzed corporate financial documents. Management believes that its assessment provides a reasonable basis for its opinion.

As of April 1, 2006, the Act requires the Corporation to form both audit and governance committees composed of independent members and formally adopt a code of ethics. The Corporation formed audit and governance committees and adopted a code of ethics on July 24, 2007.

In addition to the controls provided by the code of ethics, all staff of the Corporation, the Comptroller and the Budget Director, pursuant to their positions as public employees, are bound by the provisions contained in Section 73 and 73-a and 74 of the Public Officers Law (POL). All board members are, at a minimum, subject to Section 74 of the POL. The Act requires a code of ethics at least as stringent as Section 74 of the POL.

The Public Authorities Law also requires the Corporation to annually prepare and distribute a budget, approve its guidelines for investments and procurements, and issue reports on its procurement contracts, investments and operations and accomplishments. Further, the Corporation is required to comply with Parts 201, 203 and 204 of Title 2 of the *Official Compilation of Codes, Rules and Regulations of the State of New York* (2 NYCRR) which provide additional requirements related to the Corporation's accounting and reporting, budget and multi-year financial plan, and reporting of state-supported debt. During the fiscal year ended March 31, 2008, the Corporation met on July 24, 2007 to approve the above referenced budget, reports and guidelines in conformance with applicable requirements, with an exception that the Corporation was 28 days late in meeting the requirement to issue an annual report in accordance with Section 2800 of the PAL within 90 days of the end of its fiscal year. During the year ended March 31, 2008, the Corporation complied with the provisions of Parts 201, 203 and 204 of 2 NYCRR.

The law creating and governing the Corporation (enabling act) requires it to enter into an agreement with the State Comptroller pursuant to which the State Comptroller shall be the exclusive agent of the Corporation for the sale of its bonds and notes. The agreement that had been in place with respect to this requirement, expired on March 31, 2006 and was reauthorized by the Board on July 24, 2007.

The enabling act also requires the Chairperson of its Board of Directors to certify to the State Comptroller and Governor, the Corporation's cash requirements from the State at least 120 days prior to the commencement of its fiscal year, within 30 days of the issuance of bonds, and further allows such certification to be amended as the Chairperson deems necessary. The Chairperson's Certificate has been amended as necessary throughout the year in order to comply with the legal requirement to adequately meet cash needs of the Corporation.

The Corporation must also comply with various finance related contractual terms and commitments with respect to the issuance and administration of the Corporation's bonds and administration of the Corporation. During the fiscal year ended March 31, 2008, the Corporation sought and obtained conditional waivers from providers of standby bond purchase agreements related to $376.6 million of Variable Rate Demand Bonds (VRDBs) insured by the Financial Guaranty Insurance Corporation (FGIC), which have been affected by a decline in the insurer financial strength rating of FGIC. The Corporation also began the process of preparing to refund its FGIC insured VRDBs to uninsured VRDBs to provide a permanent solution to the above referenced issue. The Corporation has complied with all other significant provisions of finance related contractual requirements to the best knowledge of Corporation management.

Based on its assessment, management concludes the Corporation's system of internal controls was effective and adequately prevented risks to the Corporation's mission in all material respects as of March 31, 2008. Due to the controls that were in place throughout the fiscal year ended March 31, 2008, no circumstances arose that required the Board to take mitigating actions and the Corporation fulfilled its mission in all material respects as of March 31, 2008.

CERTIFICATION

The following sections of this report present the basic financial statements of LGAC for the fiscal year ended March 31, 2008 including the Independent Auditor's Report on the Basic Financial Statements. The Auditor's Report provides an unqualified opinion. Based on our knowledge the information provided in the basic financial statements is accurate, correct and does not contain any untrue statement of material fact; does not omit any material fact which, if omitted, would cause the basic financial statements to be misleading in light of the circumstances under which such statements are made; and fairly presents in all material respects the financial condition and results of operations of the Corporation as of, and for, the periods presented in the basic financial statements.

Margaret N. Becker
Co-Executive Director
New York Local Government Assistance Corporation

Ronald Greenberg
Co-Executive Director
New York Local Government Assistance Corporation

Patricia Warrington
Treasurer
New York Local Government Assistance Corporation

NEW YORK
LOCAL GOVERNMENT ASSISTANCE CORPORATION
(A Component Unit of the State of New York)
Basic Financial Statements
Year Ended March 31, 2008

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KPMG LLP
515 Broadway
Albany, NY 12207

Independent Auditors' Report

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 (Corporation), a blended component unit of the State of New York, as of and for the year ended March 31, 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the Corporation as of March 31, 2008, and the respective changes in financial position, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2008 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, 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 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.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

June 12, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Our discussion and analysis of the New York Local Government Assistance Corporation's (Corporation) financial performance provides an overview of the Corporation's financial activities for the fiscal year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

- The Corporation's total bonds outstanding at year-end was $4.1 billion net of unamortized amounts, a decrease of $182 million from the prior year.
- The Corporation's outstanding variable interest rate bonds on March 31, 2008 comprised 49 percent of all its outstanding bonds; however, the Corporation has effectively reduced this amount to 19 percent through the use of interest rate exchange agreements.
- The Corporation, like many issuers, has been affected by the recent turmoil in the municipal bond market including the recent market failure of municipal Auction Rate Securities (ARS) and downgrades in the insurer financial strength ratings of certain financial guarantors (bond insurers). This has impacted the Corporation's ARS and Financial Guaranty Insurance Company (FGIC) insured Variable Rate Demand Bonds (VRDBs) 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.
- On May 20, 2008, the Corporation Board approved the refunding of $376.6 million of the Corporation's FGIC insured VRDBs to uninsured VRDBs, and $210.5 million of the Corporation's CDC IXIS Financial Guaranty North America, Inc. (CIFG) ARS to uninsured VRDBs, the conversion of $253.4 million of the Corporation's Federal Security Assurance, Inc. (FSA) insured ARS to FSA insured VRDBs and the purchase of a surety bond to supplement one previously issued by FGIC and held as part of the Corporation's Senior Lien Capital Reserve Fund.
- The Corporation's Board approved the restructuring of ARS and FGIC insured VRDBs to eliminate the Corporation's exposure to weaker bond insurers and the current ARS market. If the approved restructuring is implemented, all of the Corporation's variable rate bonds would be in VRDB mode.
- The Corporation's net asset deficit of $3.6 billion decreased by $133 million as a result of this year's operations. The decrease in the net asset deficit is the result of the repayment of bonds.
- During the year, the Corporation had revenues of $308.3 million, which included $284.9 million in appropriations from New York State.
- Total expenses of the Corporation on a full accrual basis were $175.3 million, which includes $166.1 million for interest on the Corporation's outstanding bonds.
- The Corporation's General Fund ended the year with an annual operating deficit of $613 thousand and a fund balance of $2 million.
- The Corporation's Debt Service Fund (the Fund) ended the year with an annual operating deficit of $58 million and a fund balance of $523.8 million. Assets in the Fund included $266.1 million in cash held by the Corporation's trustee that was used to pay debt service that is due and payable on April 1, 2008, $256.4 million in investments, and $1.3 million in interest receivable. The annual operating deficit and related fund balance decrease in the Fund is attributable to the decrease in State appropriations.
- The Corporation's $415.2 million combined capital reserve requirements were satisfied on an amortized cost basis by holding cash and investments with an amortized cost of $245.4 million and owning a surety bond that will pay up to $170 million through April 1, 2021 if needed to pay debt service.
- The bond ratings assigned to the Corporation remained unchanged from last year and are as follows: Aa3 by Moody's Investors Services, AAA by Standard and Poor's Ratings Services, and AA- by Fitch Ratings.

- During its fiscal year ended March 31, 2008, the Corporation entered into two separate refunding transactions, issuing $779.9 million par amount of bonds to current refund $812.1 million of existing bonds.

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, 2008.

THE CORPORATION AS A WHOLE

The Corporation will report annually 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 year:

Table 1
Net Assets (Deficit) as of March 31, 2008
(Amounts in thousands)

	2008	2007
Assets:		
Cash and investments	$ 526,755	$ 584,526
Interest receivable	1,262	1,379
Unamortized bond issuance costs	15,498	13,549
Total assets	**543,515**	**599,454**
Liabilities:		
Liabilities due within one year	268,907	258,633
Liabilities due in more than one year	3,885,548	4,084,768
Total liabilities	**4,154,455**	**4,343,401**
Net Assets:		
Restricted for debt service	522,493	580,395
Unrestricted (deficit)	(4,133,433)	(4,324,342)
Total net assets (deficit)	**$ (3,610,940)**	**$ (3,743,947)**

The Corporation's combined net deficit decreased by $133 million from one year ago - from a deficit of $3.744 billion to a deficit of $3.611 billion. The decrease in the combined net deficit is primarily the result of repayment of Corporation debt.

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

Table 2
Changes in Net Assets for the fiscal year ended March 31, 2008
(Amounts in thousands)

	2008	2007
General Revenues:		
Appropriations from New York State	$ 284,891	$ 424,770
Investment income	23,416	13,612
Total revenues	**308,307**	**438,382**
Expenses:		
General and administrative	6,741	6,403
Cost of issuance for refunding	766	-
Rebate of investment earnings to the Federal government	1,690	181
Interest expense	166,103	199,806
Total expenses	**175,300**	**206,390**
Changes in net assets	**133,007**	**231,992**
Net assets (deficit), beginning of year	**(3,743,947)**	**(3,975,939)**
Net assets (deficit), end of year	**$ (3,610,940)**	**$ (3,743,947)**

THE CORPORATION'S FUNDS

At the close of the 2007-08 fiscal year, the Corporation reported a combined fund balance in its governmental funds (as presented in the balance sheet on page 8) of $525.8 million, a decrease of $58.5 million or 10 percent over the prior year's combined fund balance of $584.3 million. Included in this year's total change in fund balance is an annual operating deficit of $613 thousand in the Corporation's General Fund and an annual deficit of $58 million in the Corporation's Debt Service Fund. The primary reason for the Debt Service Fund's annual deficit was the decrease in State appropriations received during fiscal year 2008. Appropriations change annually based on interest rate assumptions and cash flow assumptions.

Corporation Revenues and Expenditures

During the year, the Corporation received $6 million in its General Fund from State appropriations. Additionally, the Corporation's General Fund earned $128 thousand in investment income. These revenues, along with $613 thousand of the General Fund balance, were used to pay $6.7 million in general and administrative expenditures. The Corporation also received $278.9 million in its Debt Service Fund from State appropriations for payment of debt service on its outstanding bonds and earned $23.4 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 $31.7 million and $32.6 million respectively, on its interest rate exchange agreements. These payments and receipts were included within the total amount reported as 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 purposes. At year end, the Corporation had $4.1 billion in bonds outstanding, net of unamortized deferred amounts. This represents a $182 million decrease from the prior year.

In addition to the debt noted above, the Corporation has $3.1 million in other long-term obligations which represent investment earnings payable for rebate of investment earnings to the Federal government, of which $495 thousand, while not due and payable at March 31, is expected to be paid within the next fiscal year.

As of March 31, 2008, the ratings assigned to the Corporation are as follows: Aa3 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 during the State's 2007-08 fiscal year were 6.8 times the maximum annual debt service and net payments under interest rate exchange agreements on the Corporation's outstanding bonds, including remarketing agent, broker-dealer, and letter of credit fees at rates in effect at March 31, 2008

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
Governmental Funds Balance Sheet/Statement of Net Assets (Deficit)

March 31, 2008
(Amounts in thousands)

	General Fund	Debt Service Fund	Total	Adjustments (Note 6)	Statement of Net Assets (Deficit)
Assets:					
Cash and investments	$ 4,091	$ 522,664	$ 526,755	$ —	$ 526,755
Interest receivable	4	1,258	1,262	—	1,262
Unamortized bond issuance costs	—	—	—	15,498	15,498
Total assets	**$ 4,095**	**$ 523,922**	**$ 528,017**	**15,498**	**543,515**
Liabilities:					
Accounts payable	$ 2,085	$ 171	$ 2,256	—	2,256
Accrued interest payable	—	—	—	66,111	66,111
Long-term liabilities:					
Due within one year	—	—	—	200,540	200,540
Due after one year :					
Bonds payable, net of amortized premiums and discounts	—	—	—	3,974,307	3,974,307
Rebate of investment earnings to the Federal government	—	—	—	2,619	2,619
Deferred loss on refunded bonds	—	—	—	(91,378)	(91,378)
Total liabilities	**2,085**	**171**	**2,256**	**4,152,199**	**4,154,455**
Fund Balances:					
Reserved for debt service	—	522,493	522,493	(522,493)	—
Unreserved	2,010	1,258	3,268	(3,268)	—
Total fund balances	**2,010**	**523,751**	**525,761**	**(525,761)**	**—**
Total liabilities and fund balances	**$ 4,095**	**$ 523,922**	**$ 528,017**		
Net assets (deficit):					
Restricted for debt service				522,493	522,493
Unrestricted (deficit)				(4,133,433)	(4,133,433)
Total net assets (deficit)				**$ (3,610,940)**	**$ (3,610,940)**

See accompanying notes to the basic financial statements.

NEW YORK
LOCAL GOVERNMENT ASSISTANCE CORPORATION
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities

Year Ended March 31, 2008
(Amounts in thousands)

	General Fund	Debt Service Fund	Total	Adjustments (Note 7)	Statement of Activities
General Revenues:					
Appropriations from New York State	$ 6,000	$ 278,891	$ 284,891	$ —	$ 284,891
Investment income	128	23,288	23,416	—	23,416
Total revenues	**6,128**	**302,179**	**308,307**	**—**	**308,307**
Expenditures/Expenses:					
General and administrative	6,741	—	6,741	—	6,741
Cost of issuance for refundings	—	2,716	2,716	(1,950)	766
Rebate of investment earnings to the Federal government	—	—	—	1,690	1,690
Debt service					
Principal	—	182,085	182,085	(182,085)	—
Interest	—	178,185	178,185	(12,082)	166,103
Total expenditures/expenses	**6,741**	**362,986**	**369,727**	**(194,427)**	**175,300**
Excess (deficiency) of revenues over expenditures	**(613)**	**(60,807)**	**(61,420)**	**194,427**	**—**
Other financing sources and uses					
Issuance of refunding bonds	—	779,930	779,930	(779,930)	—
Premiums on refunding bonds, net of discounts	—	46,192	46,192	(46,192)	—
Payments to refunding bond escrow agent	—	(823,328)	(823,328)	823,328	—
Net other financing sources and uses	—	2,794	2,794	(2,794)	—
Net change in fund balance	**(613)**	**(58,013)**	**(58,626)**	**61,420**	**—**
Change in net assets	**—**	**—**	**—**	**133,007**	**133,007**
Fund balances/net assets (deficit):					
Beginning of year	2,623	581,764	584,387	(4,328,334)	(3,743,947)
End of year	**$ 2,010**	**$ 523,751**	**$ 525,761**	**$ (4,136,701)**	**$ (3,610,940)**

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 2008 fiscal years and the State does not project the need for a Spring Borrowing in its 2009 fiscal year. The fiscal year ended March 31, 2008 was the seventeenth 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. Administrative 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 $2.6 billion during 2008). 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 2008, the Corporation certified the release of the fourth 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.

(2) Cash and Investments

The following are authorized investments for the Corporation's Debt Service Accounts and Capital Reserve Accounts: the Debt Service Accounts may be invested in direct bond obligations of the United States, bank certificates of deposit insured by the FDIC and repurchase agreements secured by direct obligations of the United States with any bank or trust company authorized to do business with the State of New York or any national banking association or government bond dealer reporting to, trading with or recognized as a primary dealer by the Federal Reserve Bank of New York; the Capital Reserve Accounts maybe invested in the same investments as the Debt Service Accounts plus direct and general obligations of New York State provided the rating is not lower than the rating on the Corporation's bonds, and securities and general obligation bonds and notes of any state maintaining the highest rating from the major rating services. 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, 2008 (amounts in thousands):

		Investment Maturities	
Investment Type	**Reported Amount**	**Less than 1 Year**	**1-5 Years**
Repurchase agreements	$ 70,485	$ 70,485	$ -
U.S. Treasury Notes	190,108	59,096	131,012
Totals	**$ 260,593**	**$ 129,581**	**$ 131,012**

The Corporation reports its investments with an original maturity of greater than one year at quoted market price (fair value) and reports investments with an original maturity of one year or less at amortized cost. The Corporation experienced a net increase in the fair value of its investments during the year of $6.8 million which has been reflected in 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 $522.7 million of total cash and investments is $266.1 million in cash that was transferred by the Corporation's trustee to a separate account on March 31, 2008 in order to meet the Corporation's April 1, 2008 debt service payment. 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 purposes only.

As of March 31, 2008, the Corporation had approximately $2.0 billion of variable interest rate debt in twenty-three series of bonds outstanding as follows (rates include remarketing agent, broker-dealer and letter of credit fees):

					Liquidity Support		
Series	**Outstanding (thousands)**	**Bond Insurer**	**Interest Rate at March 31, 2008**	**Current Interest Rate Mode**	**Type of Liquidity Support ***	**Expiration Date**	**Bank Optional Termination Date**
1993A...........	$ 207,600	None	2.320%	Weekly	LOC	10/31/2015	12/31/2010
1994B...........	116,300	None	2.400%	Weekly	LOC	10/31/2015	12/31/2010
1995B...........	77,600	None	2.080%	Weekly	LOC	7/1/2010	N/A
1995C...........	77,000	None	2.080%	Weekly	LOC	12/31/2015	7/1/2010
1995D...........	77,000	None	2.310%	Weekly	LOC	7/1/2010	N/A
1995E...........	77,100	None	2.330%	Weekly	LOC	12/31/2015	7/1/2010
1995F...........	77,200	None	2.380%	Weekly	LOC	7/1/2010	N/A
1995G...........	77,300	None	2.360%	Weekly	LOC	7/1/2010	N/A
2003A-BV....	188,320	FGIC	7.075%	Weekly	SBPA	2/20/2009	N/A
2003A-3V....	137,500	FGIC	8.790%	Weekly	SBPA	12/1/2015	2/1/2010
2003A-4V....	137,500	FSA	2.340%	Weekly	SBPA	12/31/2015	12/31/2010
2003A-5V....	91,665	FSA	1.875%	Weekly	SBPA	2/20/2009	N/A
2003A-6V....	100,000	FSA	1.880%	Weekly	SBPA	2/20/2009	N/A
2003A-7V....	50,780	FGIC	7.725%	Weekly	SBPA	2/20/2009	N/A
2003A-8V....	40,885	FSA	2.165%	Weekly	SBPA	2/20/2009	N/A
2003A-9V....	63,350	FSA	3.051%	Auction	None	N/A	N/A
2003A-10V..	63,325	FSA	3.139%	Auction	None	N/A	N/A
2003A-11V..	63,350	FSA	3.051%	Auction	None	N/A	N/A
2003A-12V..	63,325	FSA	3.139%	Auction	None	N/A	N/A
2004A-AV....	52,600	CIFG	3.611%	Auction	None	N/A	N/A
2004A-BV....	52,625	CIFG	3.717%	Auction	None	N/A	N/A
2004A-CV....	52,600	CIFG	3.611%	Auction	None	N/A	N/A
2004A-DV....	52,625	CIFG	3.717%	Auction	None	N/A	N/A
Total.........	**$ 1,997,550**						

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

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. The mode of interest of each of the variable rate bonds may be changed by the Corporation from or to the daily rate mode, weekly rate mode, long-term rate mode and also to fixed rate mode. The banks securing the Series 1993A and Series 1994B variable interest rate bonds have joint and several interest in the letters of credit issued to the trustee. The Series 1995B through Series 1995G variable interest rate bonds are individually secured by letters of credit with three banks (each bank holds a letter of credit for two separately secured series). The trustee is authorized to draw on each of the credit 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 letters of credit are subject to early termination at the option of the banks at dates shown above. The amount available under the Standby Bond Purchase Agreement supporting the Series 2003A-BV through Series 2003A-8V is equal to the outstanding principal amount and up to 35 days interest at an annual rate of 12 percent. The Series 2003A-9V through Series 2003A-12V bonds and the Series 2004A-AV through Series 2004A-DV bonds, currently in the auction rate mode, 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.

The Corporation purchased bond insurance for the Series 2003A-BV through 2003A-8V bonds, with the Financial Guarantee Insurance Corporation (FGIC) being the Bond Insurer for the Series 2003A-BV Bonds, Series 2003A-3V Bonds and Series 2003A-7V Bonds. The terms and conditions of the standby bond purchase agreements (the agreements) related to such Bonds provide in part that, (i) it is an Event of Default under each such agreement if the long-term claims paying ability or financial strength rating of the Bond Insurer is lowered below a rating specified in each of the agreements by either Fitch, S&P, or Moody's, (ii) it is an Event of Default under each such agreement if the Corporation fails to notify the respective bank of any Event of Default and (iii) the Corporation shall, within ninety days of the date of such downgrade, undertake certain specified actions which include converting the interest rate on the bonds to a Long-Term Rate, Auction Rate or a Fixed Rate and failure to take such actions within such 90-day period is an Event of Default under each such agreement. The agreements further provide that, that the Corporation shall not be required to comply with the requirement set forth in clause (iii) of the immediately preceding sentence if the Corporation replaces the Bond Insurer with a substitute Bond Insurer acceptable to the Bank, obtains additional credit enhancement for the bonds acceptable to the Bank or provides a Substitute Liquidity Facility to the trustee for the bonds.

On February 14, 2008, Moody's downgraded their rating of FGIC to "A3" which is a rating below the rating specified in the standby bond purchase agreements for the Series 2003A-BV Bonds, Series 2003A-3V Bonds and Series 2003A-7V Bonds. The Corporation requested and was granted waivers of the Events of Default described above to June 27, 2008 under the Series 2003A-BV standby bond purchase agreement and to June 30, 2008 under the 2003A-3V and 2003A-7V standby bond purchase agreements.

Each of the agreements also provide that if both the S&P and the Fitch rating of the Bond Insurer falls below investment grade (BBB-) the obligation of the Bank to purchase the bonds shall be automatically terminated. On March 27, 2008, Fitch reduced its rating of FGIC to BBB, which is an investment grade rating. On March 28, 2008, S&P reduced its rating of FGIC to BB, which is a rating below investment grade.

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 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 $360.3 million representing 2008 debt service payments is comprised of $182.1 million in principal and $178.2 million in interest.

The Corporation's general bond resolution requires that one or more capital reserve accounts be established and funded in 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, 2008, the Senior Lien Capital Reserve Account requirement was met by a surety bond of $170.0 million, expiring on April 1, 2021 and investments with an amortized cost of $195.4 million and a fair value of $200.7 million. At March 31, 2008, the Subordinate Lien Capital Reserve Account requirement was met with investments with an amortized cost of $50.0 million and a fair market value of $52.0 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 $1.21 billion of the Corporation’s $1.57 billion in bonds that were issued as variable rate bonds in 2003 and 2004. The remainder of the bonds issued in 2003 and 2004 were issued as fixed rate bonds.

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**
2009	$ 200,045	$ 162,298	$ 16,134	$ 378,477
2010	210,145	160,406	16,093	386,644
2011	219,470	151,552	16,043	387,065
2012	229,470	141,754	15,989	387,213
2013	240,530	130,728	16,084	387,342
2014-2018	1,387,170	491,228	74,403	1,952,801
2019-2023	1,437,360	183,686	34,055	1,655,101
2024-2028	204,640	9,734	1,512	215,886
Totals	**$ 4,128,830**	**$ 1,431,386**	**$ 190,313**	**$ 5,750,529**

Future debt service is calculated using rates in effect at March 31, 2008 for 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.

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

During its fiscal year ended March 31, 2008, the Corporation entered into two separate refunding transactions, issuing $779.9 million par amount of refunding bonds to refund existing bonds on a current basis. The effect of these refunding transactions was to lower the Corporation's future debt service on its fixed rate bonds. The Corporation refunded $812.1 million in existing bonds with $779.9 million in bonds requiring lower fixed rate debt service payments. At the time of the transactions, this resulted in $55.7 million in future cash flow savings with a present value gain of $43.4 million. The refunding transactions, while resulting in lower future debt service costs, resulted in a loss in the year they occurred equivalent to the difference between the carrying amount of the bonds refunded ($812 million) and their reacquisition price ($837.5 million). This loss of $25.5 million has been deferred and will be amortized into future interest costs over the shorter of the life of the new bonds or the old bonds, using the straight line method. The amortization period is the same for both the refunding bonds and the refunded bonds which is 13 years and 14 years, ending April 1, 2019 and April 1, 2021, respectively.

(4) Interest Rate Exchange Agreements (Swap Agreements)

Objective of the Swap Agreements

As a means to lowering its borrowing costs, when compared against fixed rate bonds at the time of issuance in February 2003, the Corporation entered into four swap agreements in connection with its issuance of $1 billion of variable rate revenue bonds (Series 2003A-BV 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 change the Corporation's interest rate on the 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.

Terms of the Interest Rate Swap Agreements

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

Terms	2003 Bond Series	2004 Bond Series
Corresponding bond series	2003A-BV to 2003A-12V	2004A-AV to 2004A-DV
Final maturity of bonds	April 1, 2024	April 1, 2021
Final maturity of related swap agreements	April 1, 2024	April 1, 2021
Swaps' notional amount	$1 billion	$210 million
Variable rate bonds	$1 billion	$210 million
Fixed payment rates paid to counterparties	3.15% to 3.26%	3.19% to 3.22%
Variable payments received, computed as	65% of one month LIBOR	65% of one month LIBOR

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, 2008, average rates were as follows:

		Bond Series Rates	
	Terms	**2003**	**2004**
Interest rate swap agreement:			
Effective fixed payment to counterparty	Fixed	3.57%	3.46%
Less variable payment from counterparty	65% of LIBOR	(1.83%)	(2.02%)
Net interest rate swap payments		**1.74%**	**1.44%**
Average variable rate bond coupon payments	Remarketing/Auction Agent	4.49%	3.66%
Approximate synthetic interest rate on Bonds		**6.23%**	**5.10%**

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, 2008 equal to their termination cost which would have required the Corporation to pay $45.6 million to its swap counterparties at March 31, 2008 had it terminated the swaps at that date. The fair value of the swaps fluctuate with the change in the One Month LIBOR rate which effects the amount of the payments the Corporation is due each month from its swap counterparties. 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.

Credit Risk of the Interest Rate Swap Agreements

The swap agreements require each counterparty to have 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.

As of March 31, 2008, the Corporation was exposed to credit risk equal to the fair value of the swap because the swaps had a positive fair value. The lowest ratings of the six swap counterparties were AAby Fitch Ratings, AA- by Standard & Poor's, and Aa3 by Moody's Investors Service as of March 31, 2008.

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 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.

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, 2008 was as follows (amounts in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Bonds payable	$ 4,343,040	$ 779,930	$ 994,140	$ 4,128,830	$ 200,045
Unamortized premium	21,610	46,192	2,580	65,222	-
Unaccreted discount on bonds	(28,363)	-	(8,663)	(19,700)	-
Deferred loss on advance refunding of bonds	(70,863)	(25,479)	(4,964)	(91,378)	-
Net bonds payable	**4,265,424**	**800,643**	**983,093**	**4,082,974**	**200,045**
Other Liability:					
Rebate of investment earnings to the Federal government	1,424	1,690	-	3,114	495
Long-term liability activity	**$ 4,266,848**	**$ 802,333**	**$ 983,093**	**$ 4,086,088**	**$ 200,540**

(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). Balances at March 31, 2008 were (amounts in thousands):

Bonds payable, net	$ 4,082,974
Accrued Interest on bonds payable	66,111
Unamortized bond issuance costs	(15,498)
Rebate of investment earnings to the Federal government not due and payable at year-end	3,114
Net adjustment	**$ 4,136,701**

(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 are as follows (amounts in thousands):

Adjustments to expenditures:		
Repayment of bond principal:		
To bondholders for repayment of debt	$	(182,085)
Adjustment for expense not due at year-end		1,690
Amortization of loss on refunding of bonds		4,964
Amortization of premium on refunding of bonds		(2,580)
Amortization of issuance costs on refunding of bonds		(1,950)
Reserve release used for refunding		(14,205)
Net adjustment to arrive at interest expense		(261)
Net adjustment to expenditures	**$**	**(194,427)**

(8) Subsequent Events

The Corporation, like many issuers, has been affected by the recent turmoil in the municipal bond market, including the recent market failure of municipal ARS and downgrades in the insurer financial strength ratings of certain bond insurers. This has resulted in an adverse impact on the Corporation's ARS and FGIC insured VRDBs and also has the potential to diminish the long-term value of the Corporation's Municipal Bond Debt Service Reserve Fund Policy provided by FGIC.

Subsequent to March 31, 2008, $43.48 million of $50.78 million Series 2003A-7V bonds outstanding were tendered to and purchased by the bank under the applicable standby bond purchase agreement and have become Bank Bonds. Under the terms of the agreement with the bank, if the bonds are not successfully remarketed by the earlier of (i) the ninety-first day following the related purchase date by the bank and (ii) the last day of the bank commitment period under the agreement, the Bank Bonds become subject to accelerated amortization whereby they must be repaid over five years in equal semiannual payments; provided however if on that date a Bond Insurer Event of Default has occurred (which include a downgrade below investment grade by both S&P and Fitch) then those bonds are due on the next March 31 or September 30.

On May 20, 2008, the Corporation's Board approved the refunding or conversion of the following bonds:

Series	Outstanding (thousands)	Current Interest Rate Mode	Bond Insurer	Board Approved Action
2003A-BV...........	$ 188,320	VRDB	FGIC	Refunding
2003A-3V	137,500	VRDB	FGIC	Refunding
2003A-7V	50,780	VRDB	FGIC	Refunding
2003A-9V	63,350	ARS	FSA	Conversion
2003A-10V	63,325	ARS	FSA	Conversion
2003A-11V	63,350	ARS	FSA	Conversion
2003A-12V	63,325	ARS	FSA	Conversion
2004A-AV	52,600	ARS	CIFG	Refunding
2004A-BV...........	52,625	ARS	CIFG	Refunding
2004A-CV...........	52,600	ARS	CIFG	Refunding
2004A-DV	52,625	ARS	CIFG	Refunding
	$ 840,400			

On May 20, 2008, the Corporation's Board also approved the purchase of an additional $170 million Municipal Bond Debt Service Reserve Fund Policy from FSA.

On June 6, 2008 and June 9, 2008, the Corporation issued notices to the holders of the Series 2003A-9V, Series 2003A-10V, Series 2003A-11V, and Series 2003A-12V bonds that the bonds must be tendered for purchase on June 25, 2008 for the Series 2003A-9V and Series 2003A-11V and on June 26, 2008 for the Series 2003A-10V and Series 2003A-12V, at which time the Corporation will reissue the bonds as Variable Rate Demand Bonds.