

**TOSKI, SCHAEFER & CO., P.C.**  
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March 16, 2011

CONFIDENTIAL

The Board of Directors  
Ulster County Resource Recovery Agency

Dear Board Members:

We have completed our audit of the financial statements of Ulster County Resource Recovery Agency (the Agency), a component unit of the County of Ulster, New York, as of and for the year ended December 31, 2010. In planning and performing our audit of the financial statements, we considered the Agency's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control. We have developed the following comments and recommendations concerning matters related to the Agency's internal control and accounting, administrative and operating matters.

This report is intended solely for the information and use of the Board of Directors, management and others within the Agency.

Basis of Accounting

Previously, we noted that the accounting activity of the Agency was recorded on a fund accounting basis, which is the modified accrual basis, converted at year-end to full accrual for financial reporting purposes, as required by accounting principles generally accepted in the United States of America. As a special purpose government engaged in business-type activities, as defined by the Governmental Accounting Standards Board (GASB), the Agency should be considered an enterprise fund and accounted for on the accrual basis. We recommended that the Agency maintain the accounting records throughout the year using the accrual basis of accounting.

Management's Response - The Agency plans to convert to full accrual accounting by the end of 2011.

Accounting Software

Previously, we noted that the Agency's General Fund was maintained on a standalone system (MTX Fund Accounting), which is integrated with the Agency's billing and accounts receivable system, while the remaining funds are maintained with a separate software package (Quickbooks). This financial reporting structure makes it difficult to prepare timely financial reports necessary to manage the Agency's business operations. In order to improve the financial reporting system of the Agency, we recommended that the Agency convert all Funds to one integrated system.

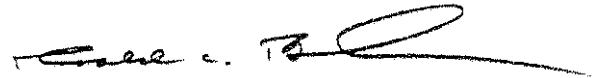
Management's Response - The Agency plans to convert to one integrated system in conjunction with the conversion to full accrual method of accounting.

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We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the Agency's personnel during our audit. If you have any questions regarding the foregoing comments or wish any assistance in their implementation, please contact us at your convenience.

Very truly yours,

TOSKI, SCHAEFER & CO., P.C.



Ronald C. Toski, CPA  
Managing Director