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April 8, 2008

The Board of Directors  
Ulster County Resource Recovery Agency  
Kingston, New York

We have audited the financial statements of the Ulster County Resource Recovery Agency (the Agency) for the year ended December 31, 2007, and have issued our report thereon dated April 8, 2008. 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 recommendations concerning certain matters related to the Agency's internal control and certain observations and recommendations on other accounting, administrative and operating matters.

The contents of this report and our suggestions should not be construed as criticism of or a reflection on any employee or management. In fact, our discussions and interaction with management provided an excellent opportunity to exchange ideas and formulate these recommendations. In reviewing this report, it is important to remember that the Agency's many efficient procedures are not mentioned; this report is by nature critical for the purpose of suggesting means of improving internal control and administrative efficiencies. We welcome the discussion of the ideas expressed herein, and would be pleased to assist in the implementation of any desired actions.

Basis of Accounting

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

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Accounting Software

The Agency's General Fund is maintained on a standalone system, MTX Fund Accounting, which is integrated with the Agency's billing and accounts receivable system. However, the Agency currently uses a separate software package (Quickbooks) to account for all other funds. This financial reporting structure makes it difficult to prepare fully accrued financial statements as required by the GASB. We recommend the Agency convert all Funds to one integrated system necessary for financial reporting purposes.

Accounts Payable Reconciliation

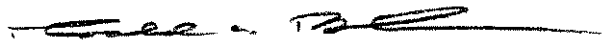
In our review of the purchases/accounts payable system, we noted that the accounts payable detail is not reconciled to the general ledger balance on a regular basis. We recommend that a reconciliation be performed at each month end to ensure that the general ledger balance and interim financial reports used by management and the Board reflect the proper accounts payable balance and related expense accruals.

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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