TOWN OF NORTH HEMPSTEAD
SOLID WASTE MANAGEMENT AUTHORITY

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2008

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Town of North Hempstead Solid Waste Management Authority
Port Washington, New York

We have audited the accompanying financial statements of the general and fiduciary funds of the Town of North Hempstead Solid Waste Management Authority (the "Authority"), a component unit of the Town of North Hempstead, New York, as of and for the year ended December 31, 2008 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note A, the financial statements present only the general and fiduciary funds of the Authority. They do not purport to, and do not, present fairly the financial position of the Authority, as of December 31, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund and fiduciary funds of the Authority, as of December 31, 2008, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 30, 2009, on our consideration of the Town of North Hempstead Solid Waste Management Authority'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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Albrecht, Viggiano, Zureck & Co., P.C.

Hauppauge, New York
October 30, 2009

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TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
BALANCE SHEET
GENERAL FUND
December 31, 2008

Assets		
Cash		$ 191,566
Cash- restricted		2,184,495
Accounts receivable		1,432,367
Prepaid expenses		20,500
Due from primary government		384,573
	Total Assets	$ 4,213,501
Liabilities		
Accounts payable and accrued liabilities		$ 1,275,724
Due to primary government		2,734,217
	Total Liabilities	4,009,941
Fund Equity		
Fund balances:		
Reserved:		
Debt service		2,184,495
Prepaids		20,500
Unreserved		(2,001,435)
	Total Fund Equity	203,560
	Total Liabilities and Fund Equity	$ 4,213,501

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
Year ended December 31, 2008

Revenues		
Departmental income		$ 14,752,677
Use of money and property		56,976
Licenses and permits		100,000
Sale of property and compensation for loss		298,120
Miscellaneous local sources		14,777
Interfund revenues		150,000
	Total Revenues	15,372,550
Expenditures		
Home and community services		15,282,282
Employee benefits		419,822
	Total Expenditures	15,702,104
Other Financing Sources and (Uses) of Funds		
Operating transfers out		(2,543,369)
Net change in Fund Balance		(2,872,923)
Fund Balance at Beginning of Year		3,076,483
	Fund Balance at End of Year	$ 203,560

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended December 31, 2008

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance Positive (Negative)
REVENUES				
DEPARTMENTAL INCOME				
Solid waste	$ 16,227,844	$ 16,227,844	$ 14,231,519	$ (1,996,325)
Other	101,000	101,000	521,158	420,158
Total Departmental Income	16,328,844	16,328,844	14,752,677	(1,576,167)
USE OF MONEY AND PROPERTY				
Interest and earnings	125,000	125,000	26,757	(98,243)
Rental of real property	50,000	50,000	30,219	(19,781)
Total Use of Money and Property	175,000	175,000	56,976	(118,024)
LICENSES AND PERMITS				
Licenses and Permits	-0-	-0-	100,000	100,000
Total Licenses and Permits	0	0	100,000	100,000
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Recycling	165,000	165,000	293,120	128,120
Sale of equipment	-0-	-0-	5,000	5,000
Total Sale of Property and Compensation for Loss	165,000	165,000	298,120	133,120
MISCELLANEOUS LOCAL SOURCES				
Miscellaneous revenue	90,000	90,000	14,777	(75,223)
Total Miscellaneous Local Sources	90,000	90,000	14,777	(75,223)
INTERFUND REVENUE				
Interfund revenue	900,000	900,000	150,000	(750,000)
Total Interfund Revenue	900,000	900,000	150,000	(750,000)
Total Revenues	$ 17,658,844	$ 17,658,844	$ 15,372,550	$ (2,286,294)

(continued)

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended December 31, 2008

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance Positive (Negative)
EXPENDITURES				
HOME AND COMMUNITY SERVICES				
Administration	$ 1,113,466	$ 1,522,966	$ 1,469,734	$ 53,232
Leachate	779,503	675,253	553,962	121,291
Transfer station	14,640,056	14,113,106	12,403,219	1,709,887
Scale house	277,213	268,213	212,029	56,184
Maintenance	21,680	343,680	325,082	18,598
Equipment	99,000	62,000	29,745	32,255
Recycling	367,900	297,900	288,511	9,389
Total Home and Community Services	17,298,818	17,283,118	15,282,282	2,000,836
EMPLOYEE BENEFITS				
State employee retirement system	65,000	65,000	62,870	2,130
Social security	55,701	55,701	55,245	456
Workers' compensation	10,000	10,000	3,070	6,930
Unemployment insurance	-0-	100	31	69
Disability benefits	250	750	371	379
Hospital, medical and dental	286,441	301,541	297,047	4,494
Other employee benefit	3,725	3,725	1,188	2,537
Total Employee Benefits	421,117	436,817	419,822	16,995
Total Expenditures	17,719,935	17,719,935	15,702,104	2,017,831
Deficiency of Revenues Under Expenditures	(61,091)	(61,091)	(329,554)	(268,463)
Other Financing Sources (Uses)				
Transfers out	(2,543,369)	(2,543,369)	(2,543,369)	-0-
Total Other Financing Uses	(2,543,369)	(2,543,369)	(2,543,369)	-0-
Net Change in Fund Balance	$ (2,604,460)	$ (2,604,460)	(2,872,923)	$ (268,463)
Fund Balance at Beginning of Year			3,076,483	
Fund Balance at End of Year			$ 203,560	

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2008

	Total Agency Funds
ASSETS	
Cash	$ 86,089
Total Assets	$ 86,089
LIABILITIES	
Guarantee and bid deposits payable	$ 82,350
Other agency liabilities	3,739
Total Liabilities	$ 86,089

See notes to financial statements.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

A. Summary of Significant Accounting Policies

The Solid Waste Management Authority (the "Authority"), Town of North Hempstead, New York was created by an amendment of the New York State Public Authorities law, Chapter 638 Title 13-F, effective July 27, 1984. The Authority is a body corporate and politic constituting a public benefit corporation and a public authority of the State of New York. The law authorizes the Authority to provide solid waste management services and to develop appropriate solid waste management facilities for the benefit of the Town of North Hempstead (the "Town") and other municipalities. Its membership consists of a board of seven directors composed, ex officio, of the members of the Town Board of the Town of North Hempstead.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The financial statements of the Authority have not been prepared in conformity with generally accepted accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Authority has elected to prepare its financial statement as a fund basis and not in accordance with GASB Statement #34. Accordingly, they do not purport to, and do not, present fairly the financial position of the Authority, as of December 31, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority's more significant accounting policies are described below.

1. Financial Reporting Entity

The Town of North Hempstead, New York is financially accountable, as a result of fiscal dependency, for the Authority. Long-term debt and operating deficits (if any) of the Authority, which are backed by the full faith and credit of the Town, and other fiscal matters, result in a fiscal interdependency with the Town. Accordingly, the Authority has been determined to be a component unit of the Town of North Hempstead, New York.

2. Basis of Presentation - Fund Accounting

Funds Financial Statements - The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are summarized by type in the financial statements. Accordingly, the Authority maintains the following fund types:

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation - Fund Accounting (continued)

Fund Categories

Governmental Funds - Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following are the Authority's governmental fund types.

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

3. Basis of Accounting/Measurement Focus

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the funds statements, governmental funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (measurable and available to finance current operations). "Measurable" means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers all revenues available if they are collected within 60 days after the year end.

Expenditures are recorded when incurred except that:

a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.

b. Principal and interest on indebtedness are not recognized as an expenditure until due.

c. Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as an expenditure when paid.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

A. Summary of Significant Accounting Policies (continued)

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the governmental funds. Appropriations for all governmental funds lapse at year end. Encumbrances are reported as reservations of fund balances because they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred. The Authority had no outstanding encumbrances at year end.

5. Equity Classifications

In the Fund Statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further allocated between designated and undesignated.

6. Revenue and Expenditures

Operating Transfers

Operating transfers of the Authority consist of payments to the Town of North Hempstead for the Authority's appropriate share of debt service expenditures and insurance and workers' compensation reserves.

7. Post Employment Benefits

In addition to providing pension benefits, the Authority provides health insurance coverage and survivor benefits for retired employees and their survivors who meet certain criteria. The Authority recognizes the cost of providing benefits by recording its share of insurance premiums as expenditure in the General Fund in the year paid. The liability for these other post employment benefits payable is recorded as a long-term liability in the Town of North Hempstead financial statements.

B. Stewardship, Compliance and Accountability

Budgetary Data

The Authority follows the procedures enumerated below with regard to the budgetary data reflected in the financial statements.

a) In November of each year, the Authority submits to each Town Board member, acting in their capacity as a Commissioner of the Authority, a copy of its proposed annual budget.

b) At a public meeting held in November, the Commissioners meet to adopt the budget.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

B. Stewardship, Compliance and Accountability (continued)

Budgetary Data (continued)

c) Pursuant to Section 2801 of the Public Authorities Law, the Authority is required to submit to the governor, chairman, and ranking minority member of the assembly ways and means committee, for their information, budget information on operations and capital construction setting forth the estimated receipts and expenditures for the next year and the current year, and the actual receipts and expenditures for the last completed year.

d) Pursuant to Section 2049-s of the Public Authorities law, the accounts of the Authority are subject to the supervision of the state comptroller and an annual audit is performed by an independent certified accountant. The Authority annually submits a detailed report to the governor, state comptroller, and state legislature, and a copy of the report is filed with the Town Supervisor.

C. Detailed Notes on All Funds

1. Cash and Investments

The Authority's investment policies are governed by state statutes. In addition, the Authority has its own written investment policy. The Authority's cash must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts, money market accounts, MBIA Cooperative Liquid Asset Security System ("CLASS") and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. agencies, and repurchase agreements.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies.

CLASS is a cooperative investment plan consisting of U.S. Treasury Obligations and repurchase agreements relating to treasury obligations.

Deposits

Deposits at year-end were entirely covered by federal depository insurance or by collateral held by the bank or a custodial bank.

2. Fixed Assets

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Fixed asset at December 31, 2008 consist of the following:

Land	$ 596,265

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

C. Detailed Notes on All Funds (continued)

3. Retirement System

Plan Description

The Town of North Hempstead Solid Waste Management Authority participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits.

Obligation of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds.

A publicly available annual report containing financial statements and required supplemental information for the Employees' Retirement System may be obtained by writing to the following address:

New York State Retirement System
Governor Smith State Building
Albany, NY 12244

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, and who have less than ten years of membership and less than ten years of credited service with a retirement system under the provisions of article fourteen or fifteen of the NYSRSSL, who contribute 3% of their salary. Prior to October 1, 2002, all employees who joined the System after July 27, 1976 were required to contribute 3% of their salary. Under the authority of the NYSRSSL, the State Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Authority is required to contribute at an actuarially determined rate. The actual contributions were equal to 100% of the actuarially required amounts and also included additional contributions to fund various early retirement incentives made available to the Authority's employees. The credits and miscellaneous adjustments represent modification made by the NYSERS for prior years' contributions due to differences between estimated and actual salaries for the plan year.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

C. Detailed Notes on All Funds (continued)

3. Retirement System (continued)

Funding Policy (continued)

The required contributions, for the Authority, for the current year and two preceding years were:

	Annual Required Contribution
2008	$ 62,870
2007	32,809
2006	62,539

4. Post-Employment Benefits Healthcare Costs

In the financial statements, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2008, the Authority recognizes the costs of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provide information useful in assessing potential demands on the Authority's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability. The OPEB obligation for the Authority is included in the Town's obligation.

A copy of the Town of North Hempstead Retiree Medical Program, December 31, 2008 Valuation is available by contacting the Town of North Hempstead, Office of the Comptroller, Hempstead, New York.

In the General Fund financial statement, the Authority recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The Authority's union contracts and ordinances require that it provide its eligible enrollees with Empire Plan benefit coverage, or if another provider is utilized, the equivalent coverage. Under the provisions of the Empire Plan, premiums are adjusted on a prospective basis for any losses experienced by the Empire Plan. The Authority has the option to terminate its participation in the Empire Plan at any time without liability for its respective share of any previously incurred loss. During the 2008 year, $191,571 was paid on behalf of 18 retirees and or surviving spouses and recorded as an expenditure in the General Fund of the Authority.

5. Compensated Absences

Authority employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

TOWN OF NORTH HEMPSTEAD SOLID WASTE MANAGEMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

C. Detailed Notes on All Funds (continued)

5. Compensated Absences (continued)

Estimated vacation, sick leave and compensatory absences accumulated by employees have not been recorded. Payment of vacation time and sick leave is dependent upon many factors, therefore, timing and future payments is not readily determinable.

However, management believes that sufficient resources will be made available for the payments of vacation, sick leave and compensatory absences when such payments become due. As of December 31, 2008, the value of the accumulated vacation time and sick leave was $91,710.

6. Indebtedness

Long-Term Debt

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The long-term debt consists of revenue bonds and compensated absences.

Revenue Bonds – The Authority borrowed money in order to finance the purchase of the Morewood Property. These bonds bear interest at rates ranging from 2.00% to 4.00% and mature at various dates through 2014.

Summary of changes in long-term debt transactions for the year ended December 31, 2008 is as follows:

	Balance 1/1/08	Issued	Reductions	Balance 12/31/08
Revenue Bonds	$ 17,155,000	$ -0-	$ 1,985,000	$15,170,000
Compensated Absences	88,033	74,305	70,628	91,710

Future principal and interest payments to maturity for the Authority are as follows:

		Principal	Interest	Total Principal and Interest
Years Ending December 31,	2009	$ 2,040,000	$ 490,437	$ 2,530,437
	2010	2,095,000	428,412	2,523,412
	2011	2,155,000	361,969	2,516,969
	2012	2,230,000	290,713	2,520,713
	2013	2,305,000	214,138	2,519,138
	2014	4,345,000	86,900	4,431,900
	Totals	$ 15,170,000	$ 1,872,569	$ 17,042,569

The Authority paid principal and interest of $1,985,000 and $543,369 for the year ended December 31, 2008.

C. Detailed Notes on All Funds (continued)

6. Indebtedness (continued)

Long-Term Debt (continued)

The Debt Service Reserve, of $1,904,579, established in 2003 as part of the refunding bonds issued in the Debt Service Fund amounts to $2,196,288 at December 31, 2008 and is expected to be used, if available, to offset the 2014 principal payment.

Defeasance of Debt

In a prior year, the Authority defeased certain revenue bonds by placing the proceeds from the sale of land in a prior year as well as the results of operations in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2008, $11,525,000 of these bonds outstanding is considered defeased.

D. Interfund Transfers

At December 31, 2008 interfund transfers in the amount of $2,528,369 represent receipts and payments of debt service. In addition, transfers out in the amount of $15,000 were made to the Town's General Fund for tort and workers compensation reserves.

E. Commitments and Contingencies

Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority currently reports all of its risk management activities in the general fund. The Authority assumes the liability for risks relating to automobile, comprehensive general liability, and excess liability. The Authority has also elected to purchase policies from commercial insurers to provide items such as property and electronic data processing equipment. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

F. Pollution Remediation Obligations

Liabilities resulting from pollution remediation obligations, if any, are the responsibility of the Town of North Hempstead.

AVZ
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Town of North Hempstead Solid Waste
Management Authority
Port Washington, NY

We have audited the financial statements of the general and fiduciary funds of Town of North Hempstead Solid Waste Management Authority (the "Authority), a component unit of the Town of North Hempstead, as of and for the year ended December 31, 2008 which collectively comprise the Authority's financial statements and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

Compliance and Other Matters

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

We noted certain maters that we reported to management of the Authority, in a separate letter dated October 30, 2009.

This report is intended solely for the information and use of management and others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Albrecht, Viggiano, Zureck & Co., P.C.

Hauppauge, New York
October 30, 2009