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May 8, 2008

CONFIDENTIAL

The Board of Directors
The Roosevelt Island Operating Corporation

Dear Board Members:

We have completed our audit of the financial statements of the Roosevelt Island Operating Corporation (RIOC) for the year ended March 31, 2008. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. We have also reviewed the disposition of recommendations included in our letter dated April 27, 2007. We now present a summary of the action taken by the Corporation with regard to our recommendations.

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

Accounting Issues for Post-Employment Benefits - In 2004, the Government Accounting Standards Board (GASB) issued Statement No. 43 - "Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans" and Statement No. 45 - "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." Since RIOC is a component unit of the State of New York, it must implement the accounting requirements of GASB Statements No. 43 and 45. These GASB statements required action by RIOC to properly account for these expenditures that were previously reported on a pay-as-you-go basis. These statements became effective for RIOC's fiscal year ended March 31, 2008. We recommended that RIOC review these statements and take the necessary steps to implement their provisions. Management has made the necessary arrangements and has recorded the liability for these post-employment benefits for the year ended March 31, 2008.

RIOC continues to fund these post-employment benefits on a pay-as-you go basis, and therefore, the provisions of GASB Statement No. 43 do not yet apply. GASB does not require that these benefits be funded in a separate trust fund. However, should RIOC begin funding these benefits by establishing a separate trust, the requirements of GASB Statement No. 43 will be applicable upon the establishment of the Trust.

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Deferred Compensation Accounts - RIOC had a liability for unpaid deferred compensation withholdings at March 31, 2007. Management determined the proper balances payable to the individual participants in the deferred compensation liability account as of March 31, 2007. Management has settled this liability during in the 2008 fiscal year.

Revenue Controls - RIOC receives its revenues from numerous sources that have complex lease agreements and payment mechanisms. We recommended that management consider creating a position responsible for overseeing the revenue process in order to ensure that all of RIOC's revenues remain current. RIOC has addressed this recommendation by reorganizing the duties of its employees with the accounting department.

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We wish to take this opportunity to thank the staff of the Roosevelt Island Operating Corporation for the courtesy and cooperation extended to us 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