

**CHAUTAUQUA, CATTARAUGUS,  
ALLEGANY & STEUBEN SOUTHERN TIER  
EXTENSION RAILROAD AUTHORITY  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
*Chautauqua, Cattaraugus, Allegany & Steuben  
Southern Tier Extension Railroad Authority*  
Salamanca, New York 14779

We have audited the accompanying financial statements of *Chautauqua, Cattaraugus, Allegany, & Steuben Southern Tier Extension Railroad Authority*, which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Chautauqua, Cattaraugus, Allegany, & Steuben Southern Tier Extension Railroad Authority* as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited *Chautauqua, Cattaraugus, Allegany, & Steuben Southern Tier Extension Railroad Authority's* 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matters

### *Required Supplementary Information*

The Management's Discussion and Analysis on pages 3 and 4 is not a required part of the financial statements but is supplementary information required by the Government Accounting Standards Board, and considered to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Bysiek CPA, PLLC*

**BYSIEK CPA, PLLC  
OLEAN, NY 14760  
MARCH 7, 2016**

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following management discussion and analysis (MD&A) provides a comprehensive overview of the financial position of *Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority* as of December 31, 2015 and 2014, and its results of operations for the years then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A.

**Using the Annual Financial Report**

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The financial statements prescribed by GASB Statement No. 34 (the *Statement of Net Position*, *Statement of Revenue, Expenses, and Changes in Net Position*, and the *Statement of Cash Flows*) present financial information in a form similar to that used by corporations. As such, they are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The *Statements of Net Position* include all assets and liabilities. Over time, increases or decreases in net position (the difference between assets and liabilities) are one indicator of the improvement or erosion of the Authority's overall financial health when considered with non-financial facts.

The *Statements of Revenue, Expenses, and Changes in Net Position* present the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The utilization of capital assets is reflected in the financial statements as depreciation, amortizing the cost of the capital asset over its expected useful life.

The *Statements of Cash Flows* present information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related investing activities, and helps measure the ability of the Authority to meet financial obligations as they mature.

**Financial Highlights**

Following are the financial highlights of the Authority for the years ended December 31, 2015 and 2014:

- Incurred depreciation expense of approximately \$1,083,000 and \$568,000 for the years ended December 31, 2015 and 2014, respectively.
- Received grant funding (including FEMA reimbursements) of approximately \$2,550,696 and \$1,285,000 for the years ended December 31, 2015 and 2014, respectively.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of three components: 1) financial statements; 2) notes to the financial statements; and 3) report on internal controls over financial reporting.

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating.

**Condensed Statements of Net Position**

	<b><u>2015</u></b>	<b><u>2014</u></b>
Current assets	\$ 80,666	\$ 125,066
Capital assets	<u>4,750,242</u>	<u>3,285,965</u>
Total assets	<u>\$ 4,830,907</u>	<u>\$ 3,411,031</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Net position:		
Invested in capital assets, net of related debt	\$ 4,750,242	\$ 3,285,965
Unrestricted net position	<u>80,665</u>	<u>125,066</u>
Total net position	<u>\$ 4,830,907</u>	<u>\$ 3,411,031</u>

The statements of revenue, expenses and changes in net position shows the business type activity of the Authority and provides information regarding income and expenses that affect net position.

**Condensed Statements of Revenue, Expenses and Change in Net Position**

	<b><u>2015</u></b>	<b><u>2014</u></b>
Total revenues	\$ 2,590,626	\$ 1,325,017
Total expenses	<u>1,170,820</u>	<u>603,220</u>
Change in net position	<u>\$ 1,419,877</u>	<u>\$ 721,797</u>

The summary of accounting policies and notes to the financial statements provide additional information that is essential to a full and complete understanding of the information provided in the financial statements.

**Economic Factors That Will Affect the Future**

The Authority remains committed to rehabilitating and preserving rail service for the Southern Tier Region. Its ability to successfully accomplish this is at least in part based upon the economic outlook for the Southern Tier Region as well as upon its ability to continue to attract funding for future improvements.

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY STEUBEN  
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STATEMENTS OF NET POSITION**

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<i>As of December 31,</i>	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 80,666	\$ 125,066
<b>Total current assets</b>	<u>80,666</u>	<u>125,066</u>
Property improvements, less accumulated depreciation (Note 2)	<u>4,750,242</u>	<u>3,285,965</u>
<b>Total assets</b>	<u><b>\$ 4,830,907</b></u>	<u><b>\$ 3,411,031</b></u>
<b>Liabilities and Net Position</b>		
<b>Net position</b>		
Invested in capital assets, net of related debt	4,750,242	3,285,965
Unrestricted	80,666	125,066
<b>Total net position</b>	<u><b>\$ 4,830,907</b></u>	<u><b>\$ 3,411,031</b></u>
<b>Total liabilities and net position</b>	<u><b>\$ 4,830,907</b></u>	<u><b>\$ 3,411,031</b></u>

***See independent auditor's report and accompanying notes to the financial statements***

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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*For the Year Ended December 31,*

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Rental income	\$ 40,000	\$ 40,000
NYS grant revenue	1,789,251	1,130,826
FEMA reimbursements	761,445	154,191
<b>Total revenues</b>	<u>2,590,696</u>	<u>1,325,017</u>
<b>Expenses</b>		
Depreciation	1,083,041	568,036
Insurance	6,837	5,274
Professional fees	80,942	29,910
<b>Total expenses</b>	<u>1,170,820</u>	<u>603,220</u>
<b>Change in net position</b>	1,419,877	721,797
<b>Net position, beginning of year</b>	<u>3,411,031</u>	<u>2,689,234</u>
<b>Net position, end of year</b>	<u>\$ 4,830,908</u>	<u>\$ 3,411,031</u>

*See independent auditor's report and accompanying notes to the financial statements*

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
STATEMENTS OF CASH FLOWS**

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*For the Year Ended December 31,*

**2015                      2014**

**Cash flows from operating activities:**

Cash received for rent	\$ 40,000	\$ 80,000
Cash received from FEMA	761,445	154,191
Cash received from grants	1,789,251	1,130,826
Cash paid to vendors	(87,779)	(35,184)
<b>Net cash provided by operating activities</b>	<b>2,502,917</b>	<b>1,329,833</b>

**Cash flows from investing activities**

Capital expenditures	(2,547,318)	(1,160,406)
<b>Net cash used in investing activities</b>	<b>(2,547,318)</b>	<b>(1,160,406)</b>

**Cash flows from financing activities**

Payments on WNYPRR loan	-	(66,035)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(66,035)</b>

**Net change in cash**

(44,401)                      103,392

**Cash, beginning of year**

125,066                      21,674

**Cash, end of year**

**\$ 80,666                      \$ 125,066**

**Reconciliation of change in net position to net cash provided by operating activities:**

Change in net position	\$ 1,419,877	\$ 721,797
Adjustments to reconcile change in net assets		
net cash provided by operating activities:		
Depreciation	1,083,041	568,036
Change in current assets and liabilities:		
Rent receivable	-	40,000
Note payable	-	(66,035)
<b>Net cash provided by operating activities</b>	<b>\$ 2,502,917</b>	<b>\$ 1,329,833</b>

***See independent auditor's report and accompanying notes to the financial statements***

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

**Reporting Entity**

***Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority (STERA)*** was incorporated in July 2000 as a public authority created by the New York State Legislature under NY Consolidated Law, NYS Public Authorities Law, Title 28-AA. The purpose of the Authority is to preserve and enhance the railroad system serving Chautauqua, Cattaraugus, Allegany and Steuben counties in New York and Warren and Erie counties in the Commonwealth of Pennsylvania, so as to insure a healthy economy for these counties.

**Basis of Accounting**

The accounts have been maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and Depreciation**

The Authority follows a policy of capitalizing all significant fixed asset purchases at cost. These assets are depreciated by the straight-line method over their estimated useful lives.

**Credit Risk**

At various times throughout the year balances may exceed federally insured amounts.

**NOTE 2 - PROPERTY, EQUIPMENT AND DEPRECIATION**

Property and equipment for the Authority consists of the following:

	<b>12/31/2014</b>			<b>12/31/2015</b>
	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>
Improvements to rail line	\$ 14,568,050	\$ 2,547,318	\$ --	\$ 17,115,368
Accumulated depreciation	<u>(11,282,085)</u>	<u>(967,001)</u>	<u>--</u>	<u>(12,249,088)</u>
Net property and equipment	<u>\$ 3,285,965</u>	<u>\$ 1,580,317</u>	<u>\$ --</u>	<u>\$ 4,750,242</u>

Depreciation expense totaled approximately \$1,083,000 and \$568,000 for the years ended December 31, 2015 and 2014, respectively.

As a condition of its acceptance of a \$3,000,000 grant from the US Department of Commerce Economic Development Administration (EDA), the Authority was required to allow the government to retain an undivided equitable reversionary interest in the property improved in whole or in part with the funds made available through the award throughout the useful life of the property. For purposes of this award, the grant agreement defines the useful life to be seven years. As a result of the retention of this undivided equitable reversionary interest in the property, the EDA reserves the right to recover its award in its entirety should the property be disposed of or no longer be needed for the purpose of the award during this seven year useful life.

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
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NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - PROPERTY, EQUIPMENT AND DEPRECIATION (continued)**

During the years ended December 31, 2015 and 2014, **STERA** incurred capital expenditures totaling approximately \$2,547,000 and \$1,160,000, respectively. These expenditures related to bridges carrying the railroad over highways or waterways, which provided for track realignment and bridge repair in Chautauqua County. These projects are being funded by grant proceeds from New York State.

**NOTE 3 – LONG-TERM DEBT**

During the year ending December 31, 2012, **STERA** received a loan in the amount of \$477,709 from WNYF. The loan was interest-free and did not specify terms of repayment. The entire amount owed was repaid during the years ending December 31, 2015 and 2014.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

The Southern Tier West Regional Planning and Development Board (STWRP&DB) provides management services to the Authority. Expenses incurred for each of the years ended December 31, 2015 and 2014 for these services amounted to approximately \$77,000 and \$25,000, respectively. Amounts owed to the Board at December 31, 2015 and 2014 totaled \$0.

**NOTE 5 - FEDERAL TAX STATUS**

The Internal Revenue Service has classified the Authority as exempt from Federal Income taxes under Section 501(a) of the United States Internal Revenue Code.

**NOTE 6 - GRANTS AND CONTRACTS**

**STERA** received grant funding for two capital projects related to the rehabilitation of the railroad. The first provides for the repair of five bridges carrying the railroad over highways and or waterways. The second provided for track realignment and bridge repair in Chautauqua County. The total amount received and expended by **STERA** was approximately \$1,025,000 and \$1,130,000 for the years ending December 31, 2015 and 2014, respectively.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

Substantially all grants and contracts are subject to financial and compliance audits by the grantor agencies. Disallowances, if any, as a result of these audits may become liabilities of the Authority. Management believes that no material disallowances will result from audits by grantor agencies.

**NOTE 8 – DATE OF MANAGEMENT’S REVIEW**

Management has evaluated events and transactions through March 7, 2016, which is the date the accompanying financial statements were available to be issued.



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

**To the Board of Directors**

***Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority (STERA)***

We have audited, in accordance with the 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, the financial statements of **STERA**, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise **STERA's** basic financial statements, and have issued our report thereon dated March 7, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **STERA's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **STERA's** internal control. Accordingly, we do not express an opinion on the effectiveness of **STERA's** internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **STERA's** financial statements are free from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bysiek CPA, PLLC*

**BYSIEK CPA, PLLC  
OLEAN, NY 14760  
MARCH 7, 2016**



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors**

***Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority (STERA)***

**Compliance**

We have audited the compliance of **STERA** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2015. **STERA's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **STERA's** management. Our responsibility is to express an opinion on **STERA's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **STERA's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **STERA's** compliance with those requirements.

In our opinion, **STERA** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2015.

**Internal Control over Compliance**

The management of **STERA** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **STERA's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance with requirements in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **STERA's** internal control over compliance.

A deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Directors, 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. Though restricted in use, reports issued in connection with an audit of a local government may be a matter of public record.

*Bysiek CPA, PLLC*

**BYSIEK CPA, PLLC  
OLEAN, NY 14760  
MARCH 7, 2016**

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

<b>Federal Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><i>U.S. Department of Homeland Security</i></b>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	761,445
<b>Total Federal Financial Assistance</b>		<b>\$ 761,445</b>

\*The schedule of expenditures of federal awards is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN  
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section I – Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of **STERA**.
2. No significant deficiencies in internal controls related to the audit of the financial statements is reported in the Report on Internal Controls over Financial Reporting.
3. No instances of noncompliance material to the financial statements of **STERA** were disclosed during the audit.
4. No deficiencies in internal control relating to the audit of the major federal awards programs are reported in the Report on Compliance with Requirements Applicable to each Major Program.
5. The auditor's report on compliance for the major federal award programs for **STERA** expresses an unmodified opinion.
6. No audit findings relative to major federal awards program, which we are required to report, were disclosed in our audit of the financial statements.
7. The programs tested as major programs included:
  - Disaster Grants – Public Assistance (Presidentially Declared Disasters):– CFDA No. 97.036
8. The threshold for determining Type A and Type B programs was \$300,000.
9. **STERA** was not determined to be a low-risk auditee.

**Section II – Findings: Audit of Financial Statements**

**A. Internal Control Over Financing Reporting**

There were no internal control findings noted for the year ending December 31, 2015.

**B. Compliance and Other Matters**

There were no compliance findings noted for the year ending December 31, 2015.

**Section III – Summary Schedule of Prior Audit Findings**

**A. Internal Control Over Financing Reporting**

**2014-01: Financial Reporting**

*Condition and Criteria:* The auditor was relied on and contracted to prepare the financial statements and footnote disclosures.

*Effect:* Since internal control over financial reporting includes controls over external financial reporting, and as the auditor cannot be considered part of the Organization's internal control, this results in a material weakness in the Organization's internal control.

*Auditor's Recommendation:* The Organization should consider investing in the resources necessary to prepare financial statements that would not require the auditor to propose material adjustments in order that they be in compliance with U.S. generally accepted accounting principles.

*Organization's Response:* The Organization is considering the benefits of implementing this recommendation in comparison with the related costs it would incur.

**B. Compliance and Other Matters**

There were no compliance findings noted for the year ending December 31, 2014.