

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

**REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

REPORT ON FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of **STERA** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **STERA** as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **STERA** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **STERA's** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **STERA's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **STERA's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited **STERA's** 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022 on our consideration of **STERA'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 solely 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 effectiveness of **STERA's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **STERA's** internal control over financial reporting and compliance.

Other Reporting Required by New York State Public Authorities Law

In accordance with New York State Public Authorities Law, we have also issued our report dated March 14, 2022 on our consideration of **STERA's** compliance with §2925(3)(f) of the New York State Public Authorities Law. The purpose of that report is to describe anything that came to our attention that caused us to believe **STERA** failed to comply with the Organization's Investment Guidelines, the New York State Comptroller's Investment Guidelines, and §2925(3)(f) of the New York State Public Authorities Law.

Bysiek CPA, PLLC

**BYSIEK CPA, PLLC
MARCH 14, 2022
OLEAN, NY 14760**

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY STEUBEN
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY
STATEMENTS OF FINANCIAL POSITION**

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<i>As of December 31,</i>	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash	\$ 71,140	\$ 323,091
Total current assets	<u>71,140</u>	<u>323,091</u>
Property improvements, net	<u>3,216,304</u>	<u>3,747,196</u>
Total assets	<u>\$ 3,287,444</u>	<u>\$ 4,070,287</u>
Liabilities and Net Assets		
Net assets		
Without donor restrictions	\$ 3,287,444	\$ 4,070,287
Total net assets	<u>\$ 3,287,444</u>	<u>\$ 4,070,287</u>

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

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

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For the Year Ended December 31,

	<u>2021</u>	<u>2020</u>
Revenues		
Rental income	\$ 40,000	\$ 40,000
Grant revenue	40,854	280,738
Total revenues	<u>80,854</u>	<u>320,738</u>
Expenses		
Program services	823,896	796,679
Management and general	39,802	34,965
Total expenses	<u>863,698</u>	<u>831,644</u>
Change in net assets	(782,844)	(510,906)
Net assets, beginning of year	4,070,287	4,581,194
Net assets, end of year	<u>\$ 3,287,444</u>	<u>\$ 4,070,287</u>

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

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY STEUBEN
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY
STATEMENTS OF FUNCTIONAL EXPENSES**

For the year ended December 31,

	2021			2020	
	Program Services	Management and General	Total	Total	
Depreciation	\$ 823,896	\$ -	\$ 823,896	\$	796,679
Insurance	-	5,799	5,799	\$	5,915
Professional fees	-	34,003	34,003		29,050
Total expenses	<u>\$ 823,896</u>	<u>\$ 39,802</u>	<u>\$ 863,698</u>	<u>\$</u>	<u>831,644</u>

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

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For the Year Ended December 31,

	<u>2021</u>	<u>2020</u>
Operating Activities		
Cash received for rent	\$ 40,000	\$ 40,000
Cash received from grants	40,854	280,738
Cash paid to vendors	(39,802)	(34,965)
Net cash provided by operating activities	<u>41,052</u>	<u>285,773</u>
Investing Activities		
Cash paid for rail line improvements	(293,004)	(18,587)
Net cash used in investing activities	<u>(293,004)</u>	<u>(18,587)</u>
Net change in cash	(251,952)	267,186
Cash, beginning of year	323,091	55,905
Cash, end of year	<u>\$ 71,140</u>	<u>\$ 323,091</u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Nature of Activities

Chautauqua, Cattaraugus, Allegany and 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 Pennsylvania so as to insure a healthy economy for these counties.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Thus, revenues are recognized when earned and expenses when incurred.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification Topic 958, *Financial Statements of Not-for-Profit Organizations*. Under Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

1) Net Assets Without Donor Restrictions

- Net assets that are not subject to any donor-imposed time or purpose restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

2) Net Assets With Donor Restrictions

- Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying financial statements.

D. Estimates

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

E. Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains its accounts at a single financial institution. The Organization's cash balances may from time to time exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. There were no uninsured amounts at December 31, 2021 and 2020.

F. Investments

In accordance with §2925(6) of the Public Authorities Law for New York State, Public Authorities, the Organization reported no investments as of December 31, 2021 or 2020. Investment policies are reviewed annually.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CON'T)

G. Property Improvements and Depreciation

Improvements to railroad lines are recorded at historical cost and depreciated over a service life of 10 years using the straight-line method. Expenditures for repairs and maintenance that materially prolong the useful lives of assets are capitalized.

H. Revenue Recognition

STERA's grant awards constitute non-exchange transactions, requiring application of the contribution accounting model, according to the provisions of ASU 2018-08. There are no conditions that contain a barrier; as such, grant revenues are recognized as unconditional contributions (although still labeled as grants in the financial statements). Additionally, the Corporation's grants are not restricted by time or purpose (as defined by ASC 958-605-45-4) and have been recorded increases in net assets without donor restrictions.

I. Rental Fees

STERA receives rental fees for use of its rail lines. At December 31, 2021 and 2020, **STERA** has met the performance obligations in its lease agreements and has recognized the corresponding revenue in the accompanying financial statements.

J. Functional Expenses

Expenses are summarized and categorized based on their functional classification as either program or supporting services. Expenses that are readily identifiable to a specific program or supporting service are charged directly to that service. Expenses attributable to more than one program or supporting service are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and occupancy expenses, which are allocated based on estimated usage, square footage, or employment related expenses, which when not directly related to a program, are allocated based on estimates of time and effort.

K. Contingencies

The Organization has received grants which are subject to audit by agencies of the state. Such audits may result in disallowances and a request for a return of funds. Based on no known significant areas of non-compliance, the Organization believes disallowances, if any, will not be material.

L. Reclassifications

Certain items in the prior year's financial statements have been reclassified to conform with reporting in the current year.

M. Income Taxes

STERA is a public benefit corporation of the State of New York and is exempt from income taxes. Therefore, no provision for income taxes is reflected in the financial statements. Management was not aware of any pending examinations as of the date of this report.

M. Subsequent Events

The Organization has evaluated events and transactions as of the date of this report. The COVID-19 pandemic continues to have a notable impact on economic conditions, including funding cuts and reduced donor giving. The extent and impact of the pandemic on **STERA** and its operations are uncertain and cannot be reasonably estimated at this time.

N. Liquidity Management

STERA regularly reviews its financial position and operations, including the liquidity required to meet general expenditures, liabilities, and obligations that may come due. The Organization has financial assets available for meeting planned expenditures in the next fiscal year, including cash and equivalents totaling approximately \$71,000 and \$323,000 as of December 31, 2021 and 2020, respectively.

NOTE 2 - RELATED PARTY TRANSACTIONS

The Southern Tier West Regional Planning and Development Board provides management services to the **STERA**. Expenses incurred for the years ended December 31, 2021 and 2020 for these services amounted to approximately \$30,000 and \$25,000, respectively.

NOTE 3 - PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment for **STERA** consists of the following:

	12/31/2020			12/31/2021
	Balance	Additions	Reductions	Balance
Rail line improvements	\$ 20,299,936	\$ 293,004	\$ --	\$ 20,592,940
Accumulated depreciation	<u>(16,552,740)</u>	<u>(823,896)</u>	<u>--</u>	<u>(17,376,636)</u>
Net property and equipment	<u>\$ 3,747,196</u>	<u>\$ (530,892)</u>	<u>\$ --</u>	<u>\$ 3,216,304</u>

Depreciation expense amounted to approximately \$824,000 and \$797,000 for the years ending December 31, 2021 and 2020, respectively.



**INDEPENDENT AUDITOR'S 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 and 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**, a nonprofit organization and component unit of the County of Allegany, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2022.

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 opinion 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 the Organization'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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that may 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
MARCH 14, 2022
OLEAN, NY 14760**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
*Chautauqua, Cattaraugus, Allegany and Steuben
Southern Tier Extension Railroad Authority (STERA)*

We have audited, 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, the financial statements of **STERA**, a nonprofit organization, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our opinion thereon March 14, 2022.

In connection with our audit, nothing came to our attention that caused us to believe **STERA** failed to comply with the Organization's Investment Guidelines, the New York State Comptroller's Investment Guidelines, or §2925 of the New York State Public Authorities Law (collectively, Investment Guidelines), which is the responsibility of the Organization's management, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines.

This communication is intended solely for the information and use of the Board of Directors and management of **STERA** and the Office of the Comptroller of the State of New York and is not intended to be, and should not be, used by anyone other than these specified parties.

Bysiek CPA, PLLC

**BYSIEK CPA, PLLC
MARCH 14, 2022
OLEAN, NY 14760**

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 relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **STERA** were disclosed during the audit as reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*.

Section II – Audit Findings

A. Internal Control Over Financing Reporting

There were no findings related to internal control over financial reporting for the year ending December 31, 2021.

B. Compliance and Other Matters

There were no compliance findings noted for the year ending December 31, 2021.

Section III – Summary Schedule of Prior Audit Findings

A. Internal Control Over Financing Reporting

There were no findings related to internal control over financial reporting for the year ending December 31, 2020.

B. Compliance and Other Matters

There were no compliance findings noted for the year ending December 31, 2020.