

February 2, 2009

Mr. John Margeson
The Board of Directors
Chautauqua, Cattaraugus, Allegany, & Steuben
Southern Tier Extension Railroad Authority
Salamanca, New York

Dear Mr. Margeson and Board of Directors:

We appreciate the opportunity to conduct your audit this year. As we've discussed with you previously, we are writing to you as we complete the audit to communicate any control deficiencies we identified during the audit and determined to be significant deficiencies or material weaknesses. This communication is a requirement of the new auditing standard: Statement on Auditing Standards (SAS) 112: Communication Internal Control Related Matters Identified in an Audit. The new standard applies to the audits of any financial statements with periods ending on or after December 15, 2006.

In planning and performing our audit of your financial statements for year ending December 31, 2008, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting (internal control) as a basis for designing our audit procedures. We did this for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. Accordingly, as a part of your audit, we are not expressing an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purposes of conducting your organization's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did identify certain deficiencies in internal control that we consider to be material weaknesses that are discussed below. It is important to note that control deficiencies are not necessarily problems you will choose to address; however, they do represent potential risks. Our job as your auditors is to ensure that you understand where you have these deficiencies or weaknesses so that you can make informed business decisions on how best to respond to these risks. In this year's audit, we identified the following:

Significant Deficiencies

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects your entity'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 your financial statements that is more than inconsequential will not be prevented or detected by your internal control. We consider the following deficiency to be a significant deficiency in internal control:

Effective internal control over financial reporting states that control activities should be selected and developed at various levels of an entity to reduce risks to achievement of financial reporting objectives. Management has not separated incompatible activities of Authority personnel, thereby creating risks to the safeguarding of cash.

Material Weaknesses

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 your internal control. We believe that the following deficiency constitutes a material weakness.

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the entity's audited financial statements and then should determine how those identified risks should be managed. Management has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including footnote disclosures.

This written communication related to the material weaknesses identified during this year's audit is intended solely for the information and use by your management, those charged with your organization's governance, others you deem appropriate within your organization, and any governmental authorities you need to share this information with. It is not intended for use by anyone other than these specified parties.

We are available to answer any questions that you may have related to the control deficiencies we identified during your audit or discuss the benefits and associated costs of any options you have for remedying them if you would like to do so. If you would like to set up a meeting to discuss this communication or your organization's internal controls, please feel free to contact me at Buffamante Whipple Buttafaro, PC.

We appreciate the opportunity to conduct your organization's audit.

Sincerely,

Kelly Dawson, CPA
BUFFAMANTE WHIPPLE BUTTAFARO, PC