

Financial Statements

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

DECEMBER 31, 2010 AND 2009

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

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors

*Chautauqua, Cattaraugus, Allegany & Steuben Southern
Tier Extension Railroad Authority*
Salamanca, New York

I have audited the accompanying statements of net assets of *Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority* as of December 31, 2010 and 2009, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits 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. Those standards require that I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

In my 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 and 3 is not a required part of the financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



JOHN S. TRUSSALO, CPA, P.C.
Jamestown, New York
February 22, 2011

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009**

Condensed Statements of Net Assets

	<u>2010</u>	<u>2009</u>
Current assets	\$ 105,486	\$ 86,427
Capital assets	<u>4,875,724</u>	<u>6,109,039</u>
Total assets	<u>\$ 4,981,210</u>	<u>\$ 6,195,466</u>
Current liabilities	<u>\$ 9,482</u>	<u>\$ 9,482</u>
Total liabilities	<u>\$ 9,482</u>	<u>\$ 9,482</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 4,875,724	\$ 6,109,039
Unrestricted net assets	<u>96,004</u>	<u>76,945</u>
Total net assets	<u>\$ 4,971,728</u>	<u>\$ 6,185,984</u>

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

Condensed Statements of Revenue, Expenses and Change in Net Assets

	<u>2010</u>	<u>2009</u>
Rental income	<u>\$ 40,000</u>	<u>\$ 40,000</u>
Total revenues	<u>\$ 40,000</u>	<u>\$ 40,000</u>
Operating expenses:		
Administrative and general	20,941	15,491
Depreciation	<u>1,233,315</u>	<u>1,233,315</u>
Total expenses	<u>\$ 1,254,256</u>	<u>\$ 1,248,806</u>
Change in net assets	<u>\$ (1,214,256)</u>	<u>\$ (1,208,806)</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
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009**

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**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY
STATEMENTS OF NET ASSETS**

<i>As of December 31,</i>	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash	\$ 75,769	\$ 56,710
Accounts receivable	20,235	20,235
Grants receivable (Note 5)	<u>9,482</u>	<u>9,482</u>
Total current assets	<u>105,486</u>	<u>86,427</u>
 Property improvements, less accumulated depreciation (Note 2)	 <u>4,875,724</u>	 <u>6,109,039</u>
 Total assets	 <u>\$ 4,981,210</u>	 <u>\$ 6,195,466</u>
<u>Liabilities and Net Assets</u>		
Current liabilities-		
Accounts payable	<u>\$ 9,482</u>	<u>\$ 9,482</u>
 Net assets:		
Invested in capital assets	4,875,724	6,109,039
Unrestricted	<u>96,004</u>	<u>76,945</u>
Total net assets	<u>4,971,728</u>	<u>6,185,984</u>
 Total liabilities and net assets	 <u>\$ 4,981,210</u>	 <u>\$ 6,195,466</u>

See accompanying notes to financial statements.

**CHAUTAUQUA, CATTARAUGUS, ALLEGANY & STEUBEN
SOUTHERN TIER EXTENSION RAILROAD AUTHORITY
STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS**

<i>Year ended December 31,</i>	<u>2010</u>	<u>2009</u>
Revenue:		
Rental income	\$ 40,000	\$ 40,000
Expenses:		
Depreciation	1,233,315	1,233,315
Insurance	4,900	5,600
Professional fees	16,041	9,891
Total expenses	<u>1,254,256</u>	<u>1,248,806</u>
Change in net assets	(1,214,256)	(1,208,806)
Net assets, beginning of year	<u>6,185,984</u>	<u>7,394,790</u>
Net assets, end of year	<u>\$ 4,971,728</u>	<u>\$ 6,185,984</u>

See accompanying notes to financial statements.

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

<i>Year ended December 31,</i>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received for rent	\$ 40,000	\$ 65,000
Cash received from grantors	--	646,526
Cash paid to suppliers	<u>(20,941)</u>	<u>(495,160)</u>
Net cash provided by operating activities	<u>19,059</u>	<u>216,366</u>
Cash flows from investing activities-		
Capital expenditures	<u>--</u>	<u>(230,456)</u>
Net cash used in investing activities	<u>--</u>	<u>(230,456)</u>
Net change in cash	19,059	(14,091)
Cash, beginning of year	<u>56,710</u>	<u>70,800</u>
Cash, end of year	<u>\$ 75,769</u>	<u>\$ 56,710</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (1,214,256)	\$ (1,208,806)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,233,315	1,233,315
Change in operating assets and liabilities:		
Rent receivable	--	25,000
Grants receivable	--	646,526
Accounts payable	<u>--</u>	<u>(479,669)</u>
Net cash provided by operating activities	<u>\$ 19,059</u>	<u>\$ 216,366</u>

See accompanying notes to 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 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:

	1/1/2010			12/31/2010
	Balance	Additions	Reductions	Balance
Improvements to rail line	\$ 12,333,148	\$ - -	\$ - -	\$12,333,148
Accumulated depreciation	(6,224,109)	(1,233,315)	- -	(7,457,424)
Net property and equipment	<u>\$ 6,109,039</u>	<u>\$ (1,233,315)</u>	<u>\$ - -</u>	<u>\$ 4,875,724</u>
	1/1/2009			12/31/2009
	Balance	Additions	Reductions	Balance
Improvements to rail line	\$ 12,102,692	\$ 230,456	\$ - -	\$12,333,148
Accumulated depreciation	(4,990,794)	(1,233,315)	- -	(6,224,109)
Net property and equipment	<u>\$ 7,111,898</u>	<u>\$ (1,002,859)</u>	<u>\$ - -</u>	<u>\$ 6,109,039</u>

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

NOTE 2 - PROPERTY, EQUIPMENT AND DEPRECIATION (continued)

Depreciation expense for the Authority totaled \$1,233,315 for the year ended December 31, 2010 and \$1,233,315 for the year ended December 31, 2009.

As a condition of its acceptance of the \$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.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Southern Tier West Regional Planning and Development Board (STWRP&DB) provides management services to the Authority. Expenses incurred for the years ended December 31, 2010 and 2009 for these services amounted to \$0. Amounts owed the Board at December 31, 2010 and 2009 totaled \$0.

NOTE 4 - 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 5 - GRANTS AND CONTRACTS

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 6 - SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through February 22, 2011 (the date the financial statements were available to be issued); nothing of significance that would require adjustment or disclosure was found.