

**CHAUTAUQUA, CATTARAUGUS,
ALLEGANY & STEUBEN SOUTHERN TIER
EXTENSION RAILROAD AUTHORITY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

TABLE OF CONTENTS

	Page
Independent Auditor's Report on Financial Statements	1
Management's Discussion and Analysis	3
Financial Statements	
Statements of Net Position	5
Statements of Revenue, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10
Schedule of Findings and Questioned Costs	11



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

***Chautauqua, Cattaraugus, Allegany & Steuben
Southern Tier Extension Railroad Authority (STERA)
Salamanca, New York 14779***

Report on Financial Statements

We have audited the accompanying financial statements of **STERA**, which comprise the statement of net position as of December 31, 2020, 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; 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 opinions 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 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 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 **STERA** as of December 31, 2020, and the changes in its net position 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 **STERA's** 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America required that the Management's Discussion and Analysis present on pages 3-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021 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.

Bysiek CPA, PLLC

**BYSIEK CPA, PLLC
OLEAN, NY 14760
MARCH 15, 2021**

**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, 2020 and 2019, 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, 2020 and 2019:

- Incurred depreciation expense of approximately \$797,000 and \$795,000 for the years ended December 31, 2020 and 2019, respectively.
- Received grant funding of approximately \$281,000 and \$700,000 for the years ended December 31, 2020 and 2019, 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

	<u>2020</u>	<u>2019</u>
Current assets	\$ 323,091	\$ 55,905
Capital assets	<u>3,747,196</u>	<u>4,525,288</u>
Total assets	<u>\$ 4,070,287</u>	<u>\$ 4,581,193</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Net position:		
Invested in capital assets, net of related debt	\$ 3,747,196	\$ 4,525,288
Unrestricted net position	<u>323,091</u>	<u>55,905</u>
Total net position	<u>\$ 4,070,287</u>	<u>\$ 4,581,193</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

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 320,738	\$ 740,032
Total expenses	<u>831,644</u>	<u>864,739</u>
Change in net position	<u>\$ (510,906)</u>	<u>\$ (124,707)</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
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 Pennsylvania so as to insure a healthy economy for these counties.

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of net position and cash flow. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported.

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.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At various times throughout the year balances may exceed federally insured amounts.

Property and Depreciation

The Authority follows a policy of capitalizing all significant rail line improvements at cost. These assets are depreciated by the straight-line method over a 10-year estimated useful life. Depreciation expense totaled approximately \$797,000 and \$795,000 for the years ended December 31, 2020 and 2019, respectively.

Revenue and Expense Recognition

Revenue is mostly comprised of rental fees and government grant revenue resulting from exchange transactions. The majority of the Organization's expenses are in the form of depreciation on rail lines, along with general and administrative costs. Revenues and expenses are recognized consistent with the accrual basis of accounting.

Contingencies

The Organization has received grants which are subject to audit by government agencies. Such audits may result in disallowances and a return of funds. The Organization believes any disallowances will be immaterial.

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 2 - PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment for the Authority consists of the following:

	12/31/2019			12/31/2020
	Balance	Additions	Reductions	Balance
Improvements to rail line	\$ 20,281,349	\$ 18,587	\$ - -	\$ 20,299,936
Accumulated depreciation	<u>(15,756,061)</u>	<u>(796,679)</u>	<u>- -</u>	<u>(16,552,740)</u>
Net property and equipment	<u>\$ 4,525,288</u>	<u>\$ (778,092)</u>	<u>\$ - -</u>	<u>\$ 3,747,196</u>

NOTE 3 - RELATED PARTY TRANSACTIONS

The Southern Tier West Regional Planning and Development Board provides management services to the Authority. Expenses incurred for the years ended December 31, 2020 and 2019 for these services amounted to approximately \$25,000 and \$54,000, respectively.

NOTE 4 – 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 5 – 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. General expenditures are considered to be those types of expenditures routinely incurred in operating programs and providing supporting services. The Organization has financial assets available for meeting such expenditures in 2021, including both cash and cash equivalents totaling approximately \$323,000 and \$56,000 as of December 31, 2020 and 2019, respectively.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated events and transactions through March 15, 2021, which is the date the accompanying financial statements were available to be issued. In March 2020, the outbreak of COVID-19 caused by a novel strain of the coronavirus has been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including, but not limited to, the temporary closures of many businesses, “shelter in place” and other governmental regulations, and reduced consumer spending due to both job losses and other effects attributed to the pandemic. The extent and impact of the pandemic on the Organization and its operations are uncertain and cannot be reasonably estimated at this time. The Organization continues to monitor the impact of the COVID-19 outbreak and its related impact on business, financial conditions, operating results and cash flows.



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, 2020, and the related notes to the financial statements, which collectively comprise **STERA's** basic financial statements, and have issued our report thereon dated March 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **STERA's** internal control over financial reporting 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, 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 we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 **STERA's** internal control and compliance and not suitable for any other purpose.

Bysiek CPA, PLLC

**BYSIEK CPA, PLLC
OLEAN, NY 14760
MARCH 15, 2021**

**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.

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, 2020.

B. Compliance and Other Matters

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

Section III – Summary Schedule of Prior Audit Findings

A. Internal Control Over Financing Reporting

There were no internal control findings noted for the year ending December 31, 2019.

B. Compliance and Other Matters

There were no compliance findings noted for the year ending December 31, 2019.