

March 30, 2016

To the Board of Directors
Southern Tier Network, Inc.

In planning and performing our audit of the financial statements of Southern Tier Network, Inc. as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the deficiencies noted on the attached pages to be significant deficiencies in internal control.

During our audit, we also noted certain operational matters that are presented for your consideration, and have been identified as "other comments and recommendations" in the following pages. These other comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. This letter does not affect our report dated March 30, 2016, on the financial statements of Southern Tier Network, Inc. We will review the status of these comments during our next engagement. We will be pleased to discuss these comments in further detail at your convenience, perform additional study of these matters or assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

EFPR Group, CPAs, PLLC

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Southern Tier Network, Inc.
Significant Deficiencies In Internal Control
December 31, 2015

Significant Deficiency - Organizational Communication: During our audit, we noted several instances where communication from ECC Technologies' resources to the Organization's administrative and accounting personnel was not effective and where the ineffectiveness had a negative impact on the Organization's ability to carry out and account for activities with appropriate timeliness and controls. The most significant issue was related to the recognition of contract revenue where it was noted that several contracts were recognized by the Organization during 2015 but received by ECC Technologies' during 2014.

Recommendation: We recommend that the Organization establish formal procedures with ECC Technologies' to improve communications and the year end close process.

Southern Tier Network, Inc.
Other Comments And Recommendations
December 31, 2015

- (1) **Other Comment - Authorities Budget Office Compliance:** As a Local Development Corporation in New York State, the Organization is required to comply with a number of governance and reporting regulations. Our audit does not include a review of all requirements to which the Organization is subjected to.

During our audit, we noted that the Organization was not in compliance with regulations that require Board members to participate in approved training within 12 months of their appointment date. We noted that these violations only pertained to Board members with appointment dates prior to 2015. No violations were noted for Board members with appointment dates during 2015.

During our audit, we noted that the Organization's website was not in compliance with guidelines established by the Authorities Budget Office. This information is to be made available in a manner that enables the public to easily find and navigate through it.

Recommendation: We recommend the Organization update their website to include the following items:

(A) **List of Committees, Committee Members, and Committee Meetings**

- Post meeting notices and proposed agendas of all committee meetings at least one week in advance of meetings.

(B) **Authority Organization Chart**

- Post, at a minimum, the Organization's executive structure and major organizational units.

- (2) **Other Comment - Parts and Supply Inventory:** Starting in 2014, the Organization began purchasing fiber specifically for each installation. Previously, the Organization purchased fiber in advance to provide to the installation contractor, and excess lengths were returned to the Organization and were recorded as parts and supplies inventory.

Over time, this practice resulted in fiber accumulating in varying lengths. Due to the expense involved in splicing shorter lengths to span longer distances, the shorter lengths currently held in the Organization's parts and supplies inventory are of limited usefulness.

There is approximately \$70,000 of parts and supply inventory recorded at December 31, 2015. A reserve was established during 2015 in the amount expected to be sold during 2016, which effectively reduced the net recorded value of parts and supply inventory by approximately \$40,000.

Recommendation: We recommend that the Organization continue to explore options for use or disposal of the remaining parts and supply inventory. Base on the identification and evaluation of options, the Organization should establish a policy regarding valuation allowance against the inventory balance that can be consistently applied in subsequent years.