

TOMPKINS COUNTY PUBLIC LIBRARY

Ithaca, New York

Report on Audit of Financial Statements

December 31, 2003 and 2002

TOMPKINS COUNTY PUBLIC LIBRARY

DECEMBER 31, 2003 and 2002

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Tompkins County Public Library
Ithaca, New York

We have audited the accompanying financial statements of the governmental activities and fund of the Tompkins County Public Library, a component unit of the County of Tompkins, as of and for the years ended December 31, 2003 and 2002, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tompkins County Public Library's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 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. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and fund of the Tompkins County Public Library, as of December 31, 2003 and 2002, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Library has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2004 on our consideration of the Tompkins County Public Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Ciaschi, Dietershagen, Little, Mickelson & Company, LLP

March 30, 2004
Ithaca, New York

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TOMPKINS COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

The following is a discussion and analysis of the Library's financial performance for the fiscal year ended December 31, 2003 and 2002. This section is a summary of the Library's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the Library's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Expenses exceeded revenues in 2003 by \$276,000 compared to 2002, when revenues exceeded expenses by \$216,217. This is primarily the result of reduced revenues from the Tompkins County Public Library Foundation. The Foundation completed its multi-year capital campaign, conducted on behalf of the Library, in 2002.
- Net assets for the year ended December 31, 2003 was \$1,490,897 reflecting a decrease from net assets of \$1,766,897 at December 31, 2002 for the reasons stated above.
- Total fund balance of \$394,594 in the General Fund showed a decrease of \$90,727 in 2003, from \$485,321.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: MD&A (this section) and the basic financial statements and supplementary information. The basic financial statements present different views of the Library.

- The Statement of Net Assets and the Statement of Activities columns shown in the financial statements provide both short-term and long-term information about the Library's overall financial status.
- The Governmental Fund Type columns are fund financial statements with a short-term, or current, focus. They do not contain balances of capital assets or long-term liabilities and report only transactions involving these long-term assets and liabilities that occurred during the reporting period.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

TOMPKINS COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
DECEMBER 31, 2003

Figure 1 summarizes the major features of the Library's financial statements, including the portion of the Library's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure 1

Major Features of the Library's Financial Statements		
	<i>Library-wide Activities</i>	<i>Governmental Fund Type</i>
<i>Scope</i>	Entire Library	The activities of the Library that are not proprietary or fiduciary
<i>Required financial statements</i>	• Statement of Net Assets	• Balance Sheet
	• Statement of Activities	• Statement of Revenues, Expenditures, and Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
<i>Type of inflow/out flow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Statement of Net Assets and Statement of Activities Columns

The statement of net assets and statement of activities columns in the basic financial statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Library's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

These two columns in the basic financial statements report the Library's net assets and how they have changed. Net assets - the difference between the Library's assets and liabilities - is one way to measure the Library's financial health or position. Over time, increases or decreases in the Library's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

TOMPKINS COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
DECEMBER 31, 2003

Governmental Fund Type Columns

The governmental fund type columns are accounting devices the Library uses to keep track of specific sources of funding and spending. The Library's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds columns provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the statement of net assets and statement of activities columns, additional information in the notes to the financial statements explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

Our analysis below focuses on the net assets (*Figure 2*) and changes in net assets (*Figure 3*) of the Library's governmental activities.

Figure 2

Condensed Statement of Net Assets	Governmental Activities & Total Library		Total Dollar Change
	2002	2003	2002 - 2003
<i>Current assets</i>	\$ 643,285	\$ 476,373	\$ (166,912)
<i>Capital assets, net</i>	1,361,115	1,177,033	(184,082)
Total assets	2,004,400	1,653,406	(350,994)
<i>Current liabilities</i>	157,964	81,779	(76,185)
<i>Noncurrent liabilities</i>	79,539	80,730	1,191
Total liabilities	237,503	162,509	74,994
<i>Invested in capital assets, net of debt</i>	1,361,115	1,177,033	(184,082)
<i>Unrestricted net assets</i>	405,782	313,864	(91,918)
Total net assets	\$ 1,766,897	\$ 1,490,897	\$ (276,000)

The decrease in current assets is largely the result of a decrease in the amounts due from the Tompkins County Public Library Foundation. Net capital assets decreased because depreciation expense exceeded the amount of capital outlay during 2003. The net effect of the Library's activities resulted in a decrease in unrestricted net assets of \$276,000.

TOMPKINS COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
DECEMBER 31, 2003

Our analysis in *Figure 3* considers the operations of the Library's activities.

Figure 3

Changes in Net Assets	Governmental Activities & Total Library		Total Dollar Change
	2002	2003	2002 - 2003
Revenues:			
<i>State sources</i>	\$ 49,170	\$ 30,770	\$ (18,400)
<i>Tompkins County support</i>	1,946,594	1,887,499	(59,095)
<i>City of Ithaca support</i>	8,567	9,145	578
<i>CLD grant</i>	105,000	105,000	-0-
<i>Friends of the Library</i>	184,200	190,000	5,800
<i>Library Foundation</i>	516,891	168,321	(348,570)
<i>Library charges</i>	134,615	132,497	(2,118)
<i>Other revenue</i>	17,467	20,397	2,930
Total revenues	2,962,504	2,543,629	(418,875)
Expenses:			
<i>Personnel expenses</i>	1,906,239	1,925,587	19,348
<i>Insurance, repairs and maintenance</i>	37,265	36,858	(407)
<i>Supplies and materials</i>	38,519	41,912	3,393
<i>Telephone, postage and printing</i>	48,639	35,211	(13,428)
<i>Finger Lakes Library System services</i>	70,000	70,000	-0-
<i>Professional dues and fees</i>	141,014	165,803	24,789
<i>Depreciation</i>	496,093	529,030	32,937
<i>Other expenses</i>	8,518	15,228	6,710
Total expenses	2,746,287	2,819,629	73,342
INCREASE (DECREASE) IN NET ASSETS	\$ 216,217	\$ (276,000)	\$ (492,217)

Total revenues for the Library's governmental activities decreased by \$418,875, or 14.1 percent, while total expenses increased \$73,342, or 2.7 percent. The decreases in revenues are primarily the result of lower funding from the Tompkins County Public Library Foundation, as discussed previously. Amounts received from New York State were lower due to the completion of a grant in 2002. Support from Tompkins County was lower due to budget constraints experienced by the County.

TOMPKINS COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
DECEMBER 31, 2003

Figure 4 presents the following chart showing the sources of revenues for 2003.

Figure 4

Sources of Revenue for 2003

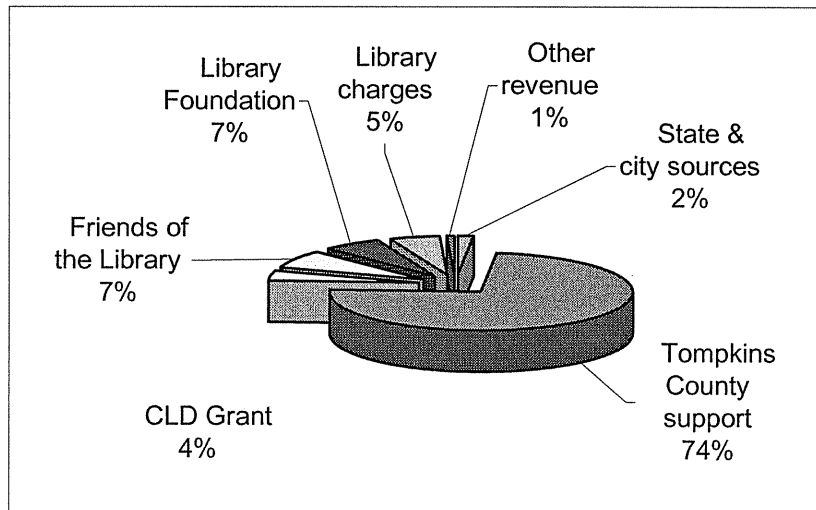
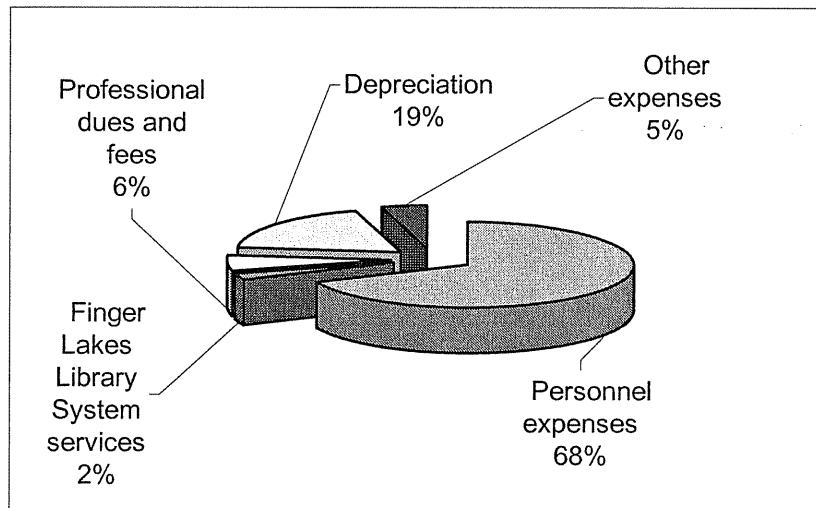


Figure 5 presents the expenses of the Library for the year ended December 31, 2003.

Figure 5

Expenses 2003



TOMPKINS COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
DECEMBER 31, 2003

FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

As the Library completed the year, the General Fund reported a combined fund balance of \$394,594, which is below last year's total of \$485,321, but \$115,848 above what was originally budgeted for 2003. Unreserved, unappropriated fund balance is \$296,301 at year end, which is 11.6 percent of the 2004 operating revenue budgeted for 2004. This is within the minimum of 5 to 15 percent that the Government Finance Officer's Association recommends for general-purpose governments, which management believes is appropriate for the Library as well. The amount designated for the subsequent year's expenditures was \$81,395 in 2003, as compared to \$206,575 in 2002. Unspent funds for staffing and equipment, as well as additions to the Collection, were carried over from 2002 and expended in 2003.

CAPITAL ASSET ADMINISTRATION

Capital Assets

At the end of December 31, 2003, the Library had invested in various types of equipment and machinery. *Figure 6* shows the amount invested in capital assets net of accumulated depreciation and shows a net decrease of \$184,082 or 13.5%, over last year. This is the amount of depreciation expense recorded in the year ended December 31, 2003. There were additions of \$39,583 in equipment and \$305,365 in the Collection. There were retirements of \$123,053 in the Collection and no retirements of equipment during the current year.

Figure 6

<i>Changes in Net Capital Assets</i>	<i>Governmental Activities & Total Library</i>		<i>Total Dollar Change</i>
	<i>2002</i>	<i>2003</i>	<i>2002 - 2003</i>
<i>Equipment</i>	\$ 923,893	\$ 760,959	\$ (162,934)
<i>Collection</i>	437,222	416,074	(21,148)
<i>Total</i>	1,361,115	1,177,033	(184,082)

FACTORS BEARING ON THE LIBRARY'S FUTURE

- The Library does not anticipate any significant changes in state or local aid for the year ended December 31, 2004.
- The level of support from the Tompkins County Public Library Foundation, the Friends of the Library, and the Finger Lakes Library System for 2004 are expected to approximate 2003.
- The Library has been engaged in a two year study of alternative funding options for the Library, including the possibility of a public referendum on the Library's budget. Such a change could arrest the negative trends in collection and equipment assets.
- There are no known factors that would have an impact on the economic climate of the community in the foreseeable future.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Library's citizens, customers, investors, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Business Office, Tompkins County Public Library, at 101 East Green Street, Ithaca, NY 14850.

TOMPKINS COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS
DECEMBER 31.

	2003		Statement of Net Assets
	General Fund	Adjustments	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 163,197	\$	\$ 163,197
Accounts receivable	313,176		313,176
Capital assets, net of accumulated depreciation of \$4,462,499 in 2003 and \$4,056,522 in 2002		1,177,033	1,177,033
Total Assets	\$ 476,373	1,177,033	1,653,406
<u>LIABILITIES</u>			
Accounts payable	\$ 35,619		35,619
Accrued liabilities	46,160		46,160
Compensated absences		80,730	80,730
Total Liabilities	81,779	80,730	162,509
<u>FUND BALANCES/NET ASSETS</u>			
<u>Fund Balances:</u>			
Reserved for:			
Retirement	15,993	(15,993)	-0-
Equipment	905	(905)	-0-
Total Reserved	16,898	(16,898)	-0-
Unreserved			
Appropriated - Ensuing Year's Budget	81,395	(81,395)	-0-
Unappropriated	296,301	(296,301)	-0-
Total Unreserved	377,696	(377,696)	-0-
Total Fund Balance	394,594	(394,594)	-0-
Total Liabilities and Fund Equity	\$ 476,373		
<u>Net Assets:</u>			
Invested in capital assets, net of related debt		1,177,033	1,177,033
Unrestricted		313,864	313,864
Total Net Assets		\$ 1,490,897	\$ 1,490,897

See Independent Auditors' Report and Notes to Financial Statements

2002

General Fund	Adjustments	Statement of Net Assets
\$ 150,284	\$	\$ 150,284
493,001		493,001
<hr/>	1,361,115	<hr/> 1,361,115
<u>\$ 643,285</u>	<u>1,361,115</u>	<u>2,004,400</u>
\$ 119,183		119,183
38,781		38,781
<hr/>	79,539	<hr/> 79,539
157,964	79,539	237,503
<hr/>		
15,993	(15,993)	-0-
250	(250)	-0-
<hr/>		<hr/>
16,243	(16,243)	-0-
<hr/>		<hr/>
206,575	(206,575)	-0-
262,503	(262,503)	-0-
<hr/>		<hr/>
469,078	(469,078)	-0-
<hr/>		<hr/>
485,321	(485,321)	-0-
<hr/>		<hr/>
<u>\$ 643,285</u>		
	1,361,115	1,361,115
	405,782	405,782
	<hr/>	<hr/>
	\$ 1,766,897	\$ 1,766,897

TOMPKINS COUNTY PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31.

	2003		
	General Fund	Adjustments	Statement of Activities
Revenue			
State source	\$ 30,770	\$	\$ 30,770
Tompkins County	1,887,499		1,887,499
City of Ithaca	9,145		9,145
CLD grant	105,000		105,000
Friends of TCPL	190,000		190,000
TCPL Foundation	168,321		168,321
Gifts and donations		2,400	2,400
Library charges	132,497		132,497
Use of money and property	5,267		5,267
Other revenue	12,730		12,730
Total Revenue	<u>2,541,229</u>	<u>2,400</u>	<u>2,543,629</u>
Expenditures			
Salaries	1,434,745	1,191	1,435,936
Fringe benefits	209,668		209,668
Health insurance	279,983		279,983
Books	233,866	(233,866)	-0-
Periodicals	9,148		9,148
AV/CD ROM materials	69,099	(69,099)	-0-
Insurance	10,274		10,274
Repairs and maintenance	26,584		26,584
Supplies and materials	30,002		30,002
Telephone	14,748		14,748
Postage	14,715		14,715
Finger Lakes Library System services	70,000		70,000
Professional fees	164,858		164,858
Membership dues	945		945
Equipment	42,345	(39,583)	2,762
Staff development	9,726		9,726
Publicity and printing	5,748		5,748
Depreciation		529,030	529,030
Miscellaneous	5,502		5,502
Total Expenditures	<u>2,631,956</u>	<u>187,673</u>	<u>2,819,629</u>
Excess of Revenues Over Expenditures	(90,727)	(185,273)	(276,000)
Fund Balances/Net Assets			
January 1,	<u>485,321</u>	<u>1,281,576</u>	<u>1,766,897</u>
December 31,	<u>\$ 394,594</u>	<u>1,096,303</u>	<u>\$ 1,490,897</u>

See Independent Auditors' Report and Notes to Financial Statements

2002

General Fund	Adjustments	Statement of Activities
\$ 49,170	\$	\$ 49,170
1,946,594		1,946,594
8,567		8,567
105,000		105,000
184,200		184,200
516,891		516,891
256	2,400	2,656
134,615		134,615
6,490		6,490
8,321		8,321
<u>2,960,104</u>	<u>2,400</u>	<u>2,962,504</u>
1,503,127	(16,964)	1,486,163
166,847		166,847
253,229		253,229
315,595	(315,595)	-0-
12,031		12,031
51,414	(51,414)	-0-
8,624		8,624
28,641		28,641
26,488		26,488
20,667		20,667
17,321		17,321
70,000		70,000
140,074		140,074
940		940
35,658	(30,783)	4,875
5,014		5,014
5,776		5,776
	496,093	496,093
3,504		3,504
<u>2,664,950</u>	<u>81,337</u>	<u>2,746,287</u>
295,154	(78,937)	216,217
<u>190,167</u>	<u>1,360,513</u>	<u>1,550,680</u>
<u>\$ 485,321</u>	<u>\$ 1,281,576</u>	<u>\$ 1,766,897</u>

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Tompkins County Public Library have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Library has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds and has elected to do so. The more significant of the Library's accounting policies are described below.

In June, 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Significant changes in the Library's financial statements include the following:

For the first time the financial statements include:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial information prepared using full accrual accounting for all of the Library's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

The Tompkins County Public Library is a component unit of the County of Tompkins. The Library was established in 1968 by the Tompkins County Board of Supervisors and granted a charter by the State Board of Regents as provided in Article 5 of the Education Law. The Tompkins County Legislature appoints trustees; raises taxes for Library purposes; has title to real property used by the Library; and issues all Library indebtedness, which is supported by the full faith and credit of the County of Tompkins.

The Tompkins County Public Library was established to provide public access to various published mediums, including books, periodicals, reference materials, and various audiovisual materials. The Library is a member of the Finger Lakes Library System, which provides a cooperative network of libraries through which library resources may be acquired and exchanged. The Library is chartered to serve Tompkins County and is partially funded by New York State to extend services to residents of Cayuga, Seneca, Cortland, and Tioga Counties.

The financial reporting entity consists of the primary government which is the Tompkins County Public Library. The decision to include a potential component unit in the Library's reporting entity is based on several criteria set forth in GASB Statement #14 including fiscal dependency and financial accountability. Based on the application of these criteria, the following is considered a related party, and not a component unit of the Tompkins County Public Library.

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 and 2002

Tompkins County Public Library Foundation, Inc.

The Tompkins County Public Library Foundation, Inc. is a not-for-profit corporation established for the benefit of the Tompkins County Public Library. The Foundation solicits, accepts, holds, invests, reinvests, and administers any gifts, grants, bequests, contributions, devises, benefits or trusts, endowments and property of any kind without limitation of amount or value. Three of the nine to fifteen directors of the Board of Directors are nominated by the Tompkins County Public Library Board. Copies of the Foundation's financial statements can be obtained by writing the Tompkins County Public Library Foundation, Inc.

B. Basis of Presentation - Fund Accounting

The Tompkins County Public Library basic financial statements include columns for governmental fund types prepared on the modified accrual basis of accounting (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance), and columns for governmental activities prepared on the accrual basis of accounting (Statement of Net Assets and Statement of Activities).

The Statement of Net Assets and the Statement of Activities present summaries of activities for the Library. The focus of these columns is more on the sustainability of the Library as an entity and the change in the Library's net assets from the current year's activities.

Fund Accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The Tompkins County Public Library records its transactions in the fund types described below:

1. Fund Categories

Governmental Fund Types - those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following is the Tompkins County Public Library's Governmental Fund Type:

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Library gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2003 and 2002

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Library considers all revenues reported in the Governmental Funds to be available if the revenues are collected within six months after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Equity Classifications

Statement of Net Assets:

- Invested in Capital Assets, Net of Related Debt
Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Assets
Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets
All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

E. Vacation and Compensatory Absences

Tompkins County Public Library employees are granted vacation and earn compensatory absences in varying amounts. From two to four weeks of vacation time, depending upon length of employment, is earned by each full-time permanent and provisional employee. Benefits accrue upon commencement of employment. Upon termination of employment, employees are compensated for unused vacation time up to a maximum of two years. The value of these benefits is approximately \$80,730 and \$79,539 at December 31, 2003 and 2002, respectively.

F. Postemployment Benefits

The Tompkins County Public Library provides postemployment health insurance coverage to its retired employees in accordance with provisions governed by Tompkins County. The Tompkins County Public Library recognized its share of premiums for currently enrolled retirees as health insurance expenditures of \$43,152 and \$38,808 for the periods ended December 31, 2003 and 2002, respectively.

TOMPKINS COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
DECEMBER 31, 2003 and 2002

G. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful life of the asset.

Note 2 - Changes in Accounting Principles

For the year ended December 31, 2003, the Tompkins County Public Library implemented GASB Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statements Nos. 37 and 38 and GASB Interpretation No. 6. GASB 34 creates a new set of basic financial statements and requires state and local governments to present financial statements that are prepared on an accrual basis of accounting using the economic resources measurement focus rather than by fund type.

The implementation of GASB 34 resulted in the need to restate prior year ending balances. Financial statements for the year ended December 31, 2002 were issued in conformity with GAAP existing prior to the issuance of GASB Statement 34. GASB Statement 34 requires certain amounts to be restated. The reconciliation of restated amounts to the December 31, 2002 year-end balance is:

	<u>Governmental Activities</u>
Total equity reported in the General Fund as of December 31, 2002	\$ 485,321
The following adjustments are necessary to determine the beginning net assets for the Statement of Activities:	
Addition of capital assets	5,417,637
Less accumulated depreciation	(4,056,522)
Addition of compensated absences	<u>(79,539)</u>
Beginning Net Assets Reported on Statement of Activities	<u>\$ 1,766,897</u>

TOMPKINS COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
DECEMBER 31, 2003 and 2002

Note 3 - Detail Notes on All Funds and Account Groups

A. Assets

1. Cash and Investments

The Tompkins County Public Library's investment policies are governed by state statutes. In addition, the Tompkins County Public Library follows its written investment policy. Tompkins County Public Library's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral (security) is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance at 105%. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts as set forth in the investment policy.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least the cost of the repurchase agreements.

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less.

Deposits and investments are valued at cost or cost plus interest, and are categorized as either (1) insured and for which the collateral is held in the Tompkins County Public Library's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the Tompkins County Public Library's name, or (3) uncollateralized.

Total financial institution (bank) balances at December 31, 2003, per the bank, were \$164,312. These deposits are categorized as follows:

1	2	3	Carrying Value
\$ 100,000	\$ 64,312	\$ _____	\$ 163,197

2. Accounts Receivable

Accounts receivable consisted of the following at December 31, 2003:

Due from TCPL Foundation	\$ 301,456
City of Ithaca	9,145
Other	2,575
 Total accounts receivable	 \$ 313,176

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2003 and 2002

3. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. The Library recognizes equipment purchases or acquisitions as follows:

<u>Category</u>	<u>Minimum Cost</u>	<u>Useful Life</u>
Shelving	\$ 500	10 years
Library and office furniture	1,000	10 years
Library equipment-including telephone, 3M, and microfilm reader printers	500	5 years
Computers - including servers, routers and laser printers	700	5 years
Collection	N/A	5 years

Changes in capital assets for 2003 and 2002 are as follows:

<u>Historical Cost</u>	<u>Balance at 12/31/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/03</u>
Equipment	\$ 1,315,859	\$ 39,583	\$	\$ 1,355,442
Collection	4,101,778	305,365	(123,053)	4,284,090
Total Historical Cost	5,417,637	344,948	(123,053)	5,639,532
Less Accumulated Depreciation				
Equipment	391,966	202,517		594,483
Collection	3,664,556	326,513	(123,053)	3,868,016
Total Accumulated Depreciation	4,056,522	529,030	(123,053)	4,462,499
Total Capital Asset, Net	\$ 1,361,115	\$ (184,082)	\$ -0-	\$ 1,177,033

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2003 and 2002

<u>Historical Cost</u>	<u>Balance at</u> <u>12/31/01</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>12/31/02</u>
Equipment	\$ 1,285,076	\$ 30,783	\$	\$ 1,315,859
Collection	<u>3,847,803</u>	<u>369,409</u>	<u>(115,434)</u>	<u>4,101,778</u>
Total Historical Cost	5,132,879	400,192	(115,434)	5,417,637
Less Accumulated Depreciation				
Equipment	199,864	192,102		391,966
Collection	<u>3,475,999</u>	<u>303,991</u>	<u>(115,434)</u>	<u>3,664,556</u>
Total Accumulated Depreciation	<u>3,675,863</u>	<u>496,093</u>	<u>(115,434)</u>	<u>4,056,522</u>
Total Capital Asset, Net	\$ <u>1,457,016</u>	\$ <u>(95,901)</u>	\$ <u>-0-</u>	\$ <u>1,361,115</u>

Depreciation on all capital assets is computed on the straight-line basis over the estimated useful lives of the assets.

Note 4 - Donated Services

The Library receives services from volunteers, but does not value, record, or report the value for such in the accompanying financial statements as they do not meet the requirements for reporting such services.

Note 5 - Related Parties

The Tompkins County Public Library received contributions of \$168,321 and \$516,891 from the Tompkins County Public Library Foundation for the years ended December 31, 2003 and 2002, respectively.

The Tompkins County Public Library received contributions of \$190,000 and \$184,200 from the Friends of the Tompkins County Public Library for the years ended December 31, 2003 and 2002.

Tompkins County contributed \$1,887,499 and \$1,946,594 for the years ended December 31, 2003 and 2002, respectively.

TOMPKINS COUNTY PUBLIC LIBRARY
 COMPARATIVE OPERATING STATEMENTS FOR THE GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31,

	2003			
	Modified Budget	Actual	Encum- brances	Variance Fav.(Unfav.)
Revenue				
State source	\$ 30,770	\$ 30,770	\$	\$ -0-
Tompkins County	1,887,499	1,887,499		-0-
City of Ithaca	8,500	9,145		645
CLD grant	105,000	105,000		-0-
Friends of TCPL	190,000	190,000		-0-
TCPL Foundation	170,723	168,321		(2,402)
Gifts and donations	-0-	-0-		-0-
Library charges	139,000	132,497		(6,503)
Use of money and property	7,000	5,267		(1,733)
Other revenues	14,750	12,730		(2,020)
Total Revenue	<u>2,553,242</u>	<u>2,541,229</u>		<u>(12,013)</u>
Expenditures				
Salaries	1,479,526	1,434,745		44,781
Fringe benefits	219,800	209,668		10,132
Health insurance	280,335	279,983		352
Books	256,400	233,866		22,534
Periodicals	9,150	9,148		2
AV/CD ROM materials	73,117	69,099		4,018
Insurance	10,275	10,274		1
Repairs and maintenance	34,000	26,584		7,416
Supplies and materials	32,989	30,002		2,987
Telephone	19,500	14,748		4,752
Postage	20,000	14,715		5,285
Finger Lakes Library System services	70,000	70,000		-0-
Professional fees	169,846	164,858		4,988
Membership dues	950	945		5
Equipment	51,615	42,345		9,270
Staff development	15,000	9,726		5,274
Publicity and printing	11,880	5,748		6,132
Miscellaneous	20,434	5,502		14,932
Total Expenditures	<u>2,774,817</u>	<u>2,631,956</u>	<u>-0-</u>	<u>142,861</u>
Excess of Revenues Over (Under) Expenditures	(221,575)	(90,727)		130,848
Appropriated Fund Balance	221,575			(221,575)
Reserved for Subsequent Years	-0-			-0-
Fund Balance, January 1,	<u>-0-</u>	<u>485,321</u>	<u>-0-</u>	<u>485,321</u>
Fund Balance, December 31,	<u>\$ -0-</u>	<u>\$ 394,594</u>	<u>\$ -0-</u>	<u>\$ 394,594</u>

See Independent Auditors' Report and Notes to Financial Statements

2002

	<u>Modified Budget</u>	<u>Actual</u>	<u>Encum- brances</u>	<u>Variance Fav.(Unfav.)</u>
\$	34,170	\$ 49,170	\$	\$ 15,000
	1,946,594	1,946,594		-0-
	8,500	8,567		67
	105,000	105,000		-0-
	184,200	184,200		-0-
	513,858	516,891		3,033
	-0-	256		256
	123,875	134,615		10,740
	10,000	6,490		(3,510)
	11,500	8,321		(3,179)
	<u>2,937,697</u>	<u>2,960,104</u>		<u>22,407</u>
	1,583,762	1,503,127		80,635
	186,079	166,847		19,232
	253,317	253,229		88
	384,875	315,595		69,280
	13,000	12,031		969
	56,055	51,414		4,641
	8,625	8,624		1
	34,450	28,641		5,809
	29,015	26,488		2,527
	22,000	20,667		1,333
	17,500	17,321		179
	70,000	70,000		-0-
	141,635	140,074		1,561
	950	940		10
	41,425	35,658		5,767
	7,100	5,014		2,086
	14,930	5,776		9,154
	17,950	3,504		14,446
	<u>2,882,668</u>	<u>2,664,950</u>	<u>-0-</u>	<u>217,718</u>
	55,029	295,154		240,125
	-0-			-0-
	(55,029)			55,029
	<u>-0-</u>	<u>190,167</u>		<u>190,167</u>
\$	<u><u>-0-</u></u>	<u><u>\$ 485,321</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 485,321</u></u>

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**Ciaschi • Dietershagen • Little • Mickelson
& Company, LLP**

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.
John E. Little, C.P.A.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Tompkins County Public Library
Ithaca, New York

We have audited the financial statements of the Tompkins County Public Library as of and for the year ended December 31, 2003, and have issued our report thereon dated March 30, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Tompkins County Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tompkins County Public Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, and New York State and is not intended to be and should not be used by anyone other than these specified parties.

March 30, 2004
Ithaca, New York

Ciaschi, Dietershagen, Little, Mickelson, & Company, LLP

- 13 -

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Frederick J. Ciaschi, C.P.A.
John E. Little, C.P.A.

To the Board of Trustees
Tompkins County Public Library
Ithaca, New York

We have audited the basic financial statements of Tompkins County Public Library for the year ended December 31, 2003, and have issued our report thereon dated March 30, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U. S. Generally Accepted Auditing and Government Auditing Standards

As stated in our engagement letter dated April 4, 2002, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Tompkins County Public Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Tompkins County Public Library are described in Note 1 to the financial statements.

The Library adopted GASB Statement No. 34 during the year, which is described in Note 2 of the notes to the financial statements. We noted no transactions entered into by Tompkins County Public Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation and compensated absences.

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Management's estimate of depreciation and compensated absences is based on the estimated useful life and employee contract provisions and the subsequent year's salaries, respectively. We evaluated the key factors and assumptions used to develop depreciation and compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Tompkins County Public Library's financial reporting process (that is, cause future financial statements to be materially misstated).

In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Tompkins County Public Library, either individually or in the aggregate, indicate matters that could have a significant effect on the Tompkins County Public Library's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Tompkins County Public Library's auditors.

These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

We would like to thank you and your staff for the cooperation and support given us during the course of the audit. We appreciate the opportunity to be of service to you and look forward to our continued involvement.

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

Gianni Dietzenhagen, Little, Mickelson, & Company, LLP

March 30, 2004
Ithaca, New York