

TOMPKINS COUNTY PUBLIC LIBRARY

Ithaca, New York

Report on Audit of Financial Statements

December 31, 2004 and 2003

TOMPKINS COUNTY PUBLIC LIBRARY
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

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John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.



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

Certified Public Accountants and Consultants

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

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, and the Library's discretely presented component unit, as of and for the years ended December 31, 2004 and 2003, 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 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. 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 and its discretely presented component unit, as of December 31, 2004 and 2003, 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 1, the Library adopted Governmental Standards Board Statement No. 39, *Determining Whether Certain Organization's are Component Units*, for the period ending December 31, 2004. The impact of this statement was to change the Library's reporting entity to include the Tompkins County Public Library Foundation, Inc. as a discretely presented component unit.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2005 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information listed on pages 13 to 13a is presented for purposes of additional analysis and is not a required part of the financial statements of Tompkins County Public Library. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Ciaschi, Dieterichsen Little, Mickelson & Company, LLP

March 25, 2005
Ithaca, New York

TOMPKINS COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004 and 2003

The following is a discussion and analysis of the Library's financial performance for the fiscal year ended December 31, 2004. 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.

COMPONENT UNIT

During the year ended December 31, 2004, the Library implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the Library is not financially accountable should be reported as component units based on the significance of their relationship with the Library. The decision to include potential component units in the Library's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on these criteria, the Library includes one separate legal entity in its report - the Tompkins County Public Library Foundation, Inc. Although legally separate, this organization is reported as a discrete component unit. Complete financial statements for the Foundation may be obtained by writing the Tompkins County Public Library Foundation, Inc.

FINANCIAL HIGHLIGHTS

- Expenses exceeded revenues in 2004 by \$348,601 compared to 2003, when expenses exceeded revenues by \$276,000. This is primarily the result of increased salaries and benefits.
- Net assets for the year ended December 31, 2004 were \$1,142,296 reflecting a decrease from net assets of \$1,490,897 at December 31, 2003 for the reasons stated above. The Library's net assets for the year ended December 31, 2003 decreased \$276,000 from \$1,766,897 to \$1,490,897 primarily because of depreciation expense greater than capital asset additions.
- Total fund balance of \$324,690 in the General Fund showed a decrease of \$69,904 in 2004, from \$394,594 in 2003, and \$485,321 in 2002.

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)
FOR THE YEAR ENDED DECEMBER 31, 2004 and 2003

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.

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 fund 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 1*) and changes in net assets (*Figure 2*) of the Library's governmental activities.

Figure 1

Condensed Statement of Net Assets	Governmental Activities and Total Library		
	2002	2003	2004
<i>Current assets</i>	\$ 643,285	\$ 476,373	\$ 429,263
<i>Capital assets, net</i>	1,361,115	1,177,033	904,052
Total assets	2,004,400	1,653,406	1,333,315
<i>Current liabilities</i>	157,964	81,779	104,573
<i>Noncurrent liabilities</i>	79,539	80,730	86,446
Total liabilities	237,503	162,509	191,019
<i>Invested in capital assets, net of debt</i>	1,361,115	1,177,033	904,052
<i>Unrestricted net assets</i>	405,782	313,864	238,244
Total net assets	\$ 1,766,897	\$ 1,490,897	\$ 1,142,296

The decrease in current assets in 2003 and 2004 is largely due to the payment of prior year liabilities and an increase in expenses greater than the increase in revenue. Net capital assets and invested in capital assets, net, decreased in 2003 and 2004 because depreciation expense exceeded the amount of capital outlay during 2003 and 2004. The net effect of the Library's activities resulted in a decrease in unrestricted net assets of \$91,918 at December 31, 2003 and \$75,620 at December 31, 2004.

TOMPKINS COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004 and 2003

Our analysis in *Figure 2* considers the operations of the Library's activities.

Figure 2

Changes in Net Assets	Governmental Activities and Total Library		
	2002	2003	2004
Revenues:			
<i>State sources</i>	\$ 49,170	\$ 30,770	\$ 92,712
<i>Tompkins County support</i>	1,946,594	1,887,499	1,967,499
<i>City of Ithaca support</i>	8,567	9,145	9,080
<i>CLD grant</i>	105,000	105,000	99,750
<i>Friends of the Library</i>	184,200	190,000	235,000
<i>Library Foundation</i>	516,891	168,321	158,818
<i>Library charges</i>	134,615	132,497	124,761
<i>Other revenue</i>	17,467	20,397	33,426
Total revenues	2,962,504	2,543,629	2,721,046
Expenses:			
<i>Personnel expenses</i>	1,906,239	1,925,587	2,157,056
<i>Insurance, repairs and maintenance</i>	37,265	36,858	44,931
<i>Supplies and materials</i>	38,519	41,912	51,824
<i>Telephone, postage and printing</i>	48,639	35,211	26,892
<i>Finger Lakes Library System services</i>	70,000	70,000	70,000
<i>Professional dues and fees</i>	141,014	165,803	164,406
<i>Depreciation</i>	496,093	529,030	543,163
<i>Other expenses</i>	8,518	15,228	11,375
Total expenses	2,746,287	2,819,629	3,069,647
INCREASE (DECREASE) IN NET ASSETS	\$ 216,217	\$ (276,000)	\$ (348,601)

Total revenues for the Library's governmental activities increased in 2004 by \$177,417, or 6.97%, while total expenses increased \$250,018, or 8.87%. The increases in revenues are primarily the result of an increase in funding from Tompkins County, a new grant from New York State and an increase in donations from the Friends of the Library. The increase in expenditures was mostly due to increases in employee benefits.

In 2003, total revenues decreased by \$418,875, or 41.1%, while total expenses increased \$73,342, or 2.7%. The decreases in revenues were primarily the result of lower funding from the Tompkins County Public Library Foundation and the fact that 2002 funding included capital funding for the Library's relocation. Amounts received from New York State were lower due to the completion of a grant in 2002. Also, in 2003 support from Tompkins County was lower due to budget constraints experienced by the County.

TOMPKINS COUNTY PUBLIC LIBRARY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2004

Figures 3 and 4 present the following charts showing the sources of revenues for 2004 and 2003.

Figure 3

Sources of Revenue for 2004

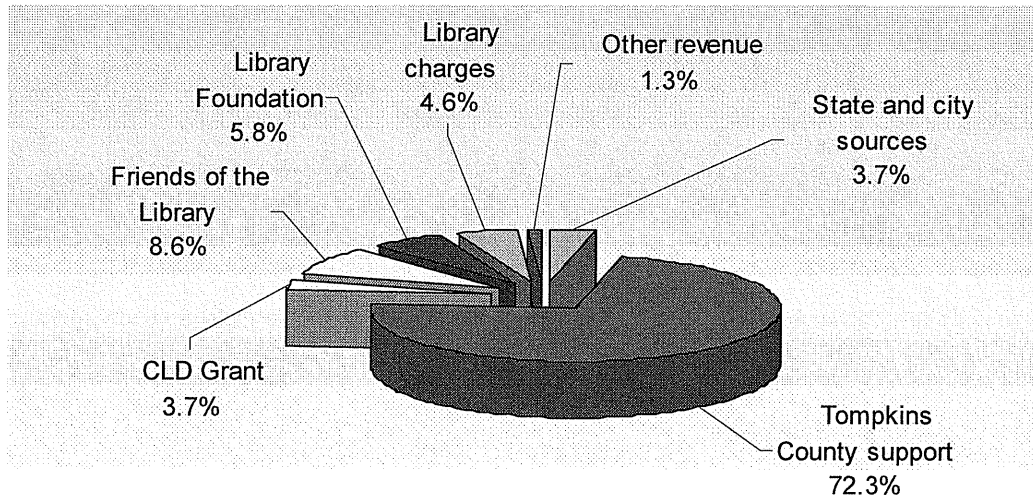
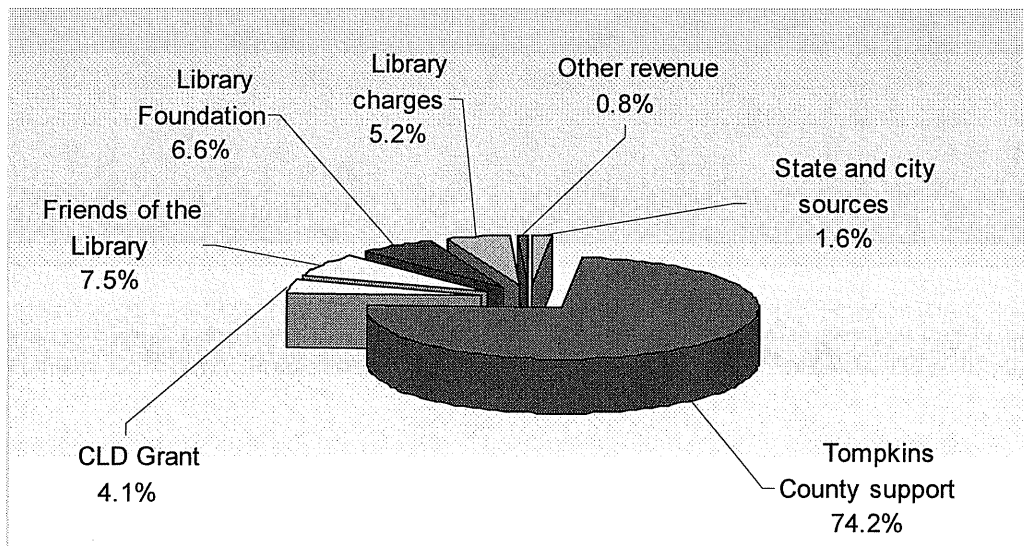


Figure 4

Sources of Revenue for 2003



TOMPKINS COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2004 and 2003

Figures 5 and 6 present the expenses of the Library for the years ended December 31, 2004 and 2003.

Figure 5
Expenses 2004

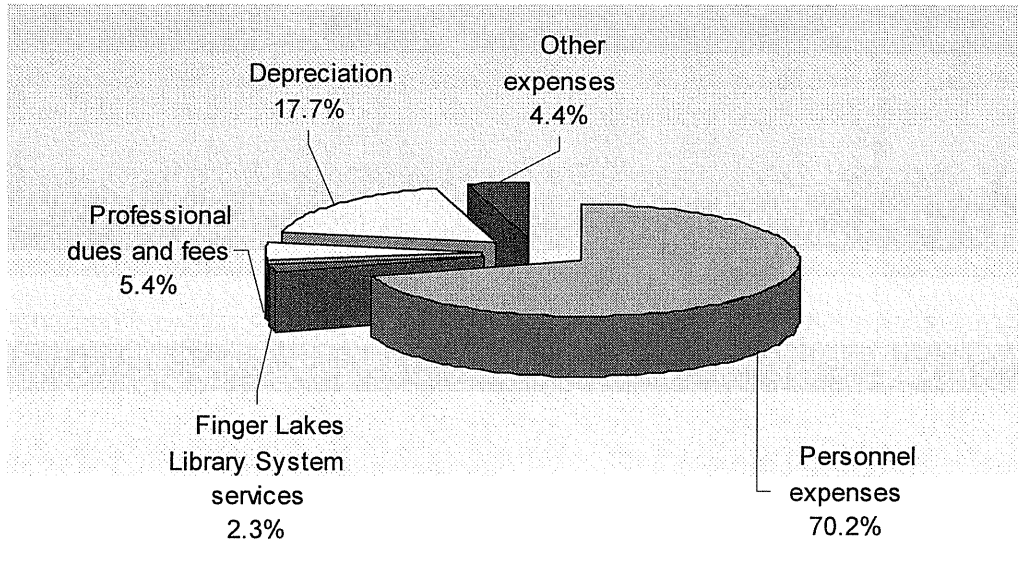
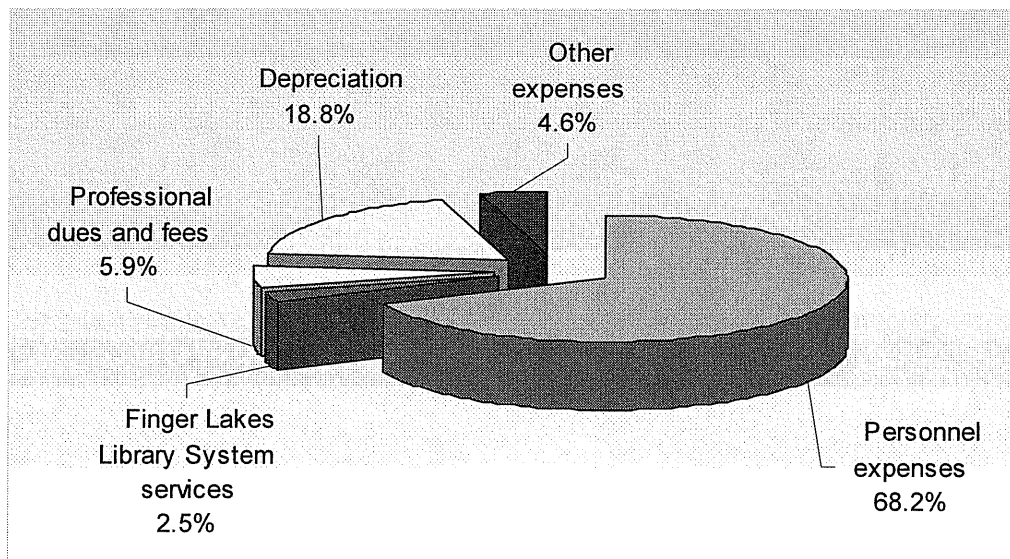


Figure 6
Expenses 2003



TOMPKINS COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEETS/STATEMENTS OF NET ASSETS
DECEMBER 31,

	2004		
	General Fund	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and cash equivalents	\$ 137,679	\$	\$ 137,679
Accounts receivable	291,584		291,584
Capital assets, net of accumulated depreciation of \$4,877,140 in 2004 and \$4,462,499 in 2003		904,052	904,052
Total Assets	\$ 429,263	\$ 904,052	\$ 1,333,315
<u>LIABILITIES</u>			
Accounts payable	\$ 44,656	\$	\$ 44,656
Accrued liabilities	59,917		59,917
Compensated absences		86,446	86,446
Total Liabilities	104,573	86,446	191,019
<u>FUND BALANCES/NET ASSETS</u>			
Fund Balances:			
Reserved for:			
Retirement	15,993	(15,993)	
Equipment	12,453	(12,453)	-0-
Total Reserved	28,446	(28,446)	-0-
Unreserved:			
Appropriated - Ensuing Year's Budget	130,180	(130,180)	
Unappropriated	166,064	(166,064)	-0-
Total Unreserved	296,244	(296,244)	-0-
Total Fund Balance	324,690	(324,690)	-0-
Total Liabilities and Fund Balances	\$ 429,263		
Net Assets:			
Invested in capital assets, net of related debt		904,052	904,052
Unrestricted		238,244	238,244
Total Net Assets		\$ 1,142,296	\$ 1,142,296

See Independent Auditors' Report and Notes to Financial Statements

TOMPKINS COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEETS/STATEMENTS OF NET ASSETS
DECEMBER 31,

	2004		
<u>ASSETS</u>	General Fund	Adjustments	Statement of Net Assets
Cash and cash equivalents	\$ 137,679	\$	\$ 137,679
Accounts receivable	291,584		291,584
Capital assets, net of accumulated depreciation of \$4,877,140 in 2004 and \$4,462,499 in 2003		904,052	904,052
Total Assets	\$ 429,263	\$ 904,052	\$ 1,333,315
<u>LIABILITIES</u>			
Accounts payable	\$ 44,656	\$	\$ 44,656
Accrued liabilities	59,917		59,917
Compensated absences		86,446	86,446
Total Liabilities	104,573	86,446	191,019
<u>FUND BALANCES/NET ASSETS</u>			
Fund Balances:			
Reserved for:			
Retirement	15,993	(15,993)	
Equipment	12,453	(12,453)	-0-
Total Reserved	28,446	(28,446)	-0-
Unreserved:			
Appropriated - Ensuing Year's Budget	130,180	(130,180)	
Unappropriated	166,064	(166,064)	-0-
Total Unreserved	296,244	(296,244)	-0-
Total Fund Balance	324,690	(324,690)	-0-
Total Liabilities and Fund Balances	\$ 429,263		
Net Assets:			
Invested in capital assets, net of related debt		904,052	904,052
Unrestricted		238,244	238,244
Total Net Assets		\$ 1,142,296	\$ 1,142,296

See Independent Auditors' Report and Notes to Financial Statements

2003

<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ 163,197	\$	\$ 163,197
313,176		313,176
<u> </u>	<u>1,177,033</u>	<u>1,177,033</u>
\$ <u>476,373</u>	\$ <u>1,177,033</u>	\$ <u>1,653,406</u>
\$ 35,619	\$	\$ 35,619
46,160		46,160
<u> </u>	<u>80,730</u>	<u>80,730</u>
<u>81,779</u>	<u>80,730</u>	<u>162,509</u>
15,993	(15,993)	
905	(905)	-0-
<u> </u>	<u> </u>	<u> </u>
<u>16,898</u>	<u>(16,898)</u>	<u>-0-</u>
81,395	(81,395)	
296,301	(296,301)	-0-
<u> </u>	<u> </u>	<u> </u>
<u>377,696</u>	<u>(377,696)</u>	<u>-0-</u>
394,594	(394,594)	-0-
<u> </u>	<u> </u>	<u> </u>
\$ <u>476,373</u>		
	<u>1,177,033</u>	<u>1,177,033</u>
	<u>313,864</u>	<u>313,864</u>
	\$ <u>1,490,897</u>	\$ <u>1,490,897</u>

TOMPKINS COUNTY PUBLIC LIBRARY
TOMPKINS COUNTY PUBLIC LIBRARY FOUNDATION, INC.
(DISCRETELY PRESENTED COMPONENT UNIT)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS

	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash and cash equivalents	\$ 186,940	\$ 158,104
Accounts receivable	17,115	29,060
Unconditional promises to give	<u>76,699</u>	<u>62,627</u>
Total Current Assets	<u>280,754</u>	<u>249,791</u>
Long-term investments	748,804	789,730
Long-term unconditional promises to give, net	125,835	139,399
Equipment, net of accumulated depreciation of \$10,770 in 2004 and \$9,855 in 2003	<u>713</u>	<u>1,628</u>
Total Assets	<u>\$ 1,156,106</u>	<u>\$ 1,180,548</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable - Tompkins County Public Library	\$ 270,701	\$ 301,701
Accounts payable and accrued liabilities	<u>8,442</u>	<u>6,464</u>
Total Current Liabilities	<u>279,143</u>	<u>308,165</u>
Net Assets:		
Unrestricted:		
Board designated	246,639	243,704
Undesignated	<u>38,315</u>	<u>68,574</u>
Total Unrestricted	284,954	312,278
Temporarily restricted	207,128	225,855
Permanently restricted	<u>384,881</u>	<u>334,250</u>
Total Net Assets	<u>876,963</u>	<u>872,383</u>
Total Liabilities and Net Assets	<u>\$ 1,156,106</u>	<u>\$ 1,180,548</u>

See Independent Auditors' Report and Notes to Financial Statements

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

	2004		
	General Fund	Adjustments	Statement of Activities
Revenue:			
State source	\$ 92,712	\$	\$ 92,712
Tompkins County	1,967,499		1,967,499
City of Ithaca	9,080		9,080
CLD grant	99,750		99,750
Friends of TCPL	235,000		235,000
TCPL Foundation	158,818		158,818
Gifts and donations		2,400	2,400
Library charges	124,761		124,761
Use of money and property	3,801		3,801
Other revenue	27,225		27,225
Total Revenue	2,718,646	2,400	2,721,046
Expenditures:			
Salaries	1,557,753	5,716	1,563,469
Fringe benefits	328,060		328,060
Health insurance	265,527		265,527
Books	157,364	(157,364)	-0-
Periodicals	13,267		13,267
AV/CD ROM materials	55,961	(55,961)	-0-
Insurance	11,146		11,146
Repairs and maintenance	33,785		33,785
Supplies and materials	23,624		23,624
Telephone	16,122		16,122
Postage	6,964		6,964
Finger Lakes Library System services	70,000		70,000
Professional fees	163,076		163,076
Membership dues	1,330		1,330
Equipment	69,390	(54,457)	14,933
Staff development	5,286		5,286
Publicity and printing	3,806		3,806
Depreciation		543,163	543,163
Miscellaneous	6,089		6,089
Total Expenditures	2,788,550	281,097	3,069,647
Excess of Expenditures Over Revenues	(69,904)	(278,697)	(348,601)
Fund Balances/Net Assets			
January 1,	394,594	1,096,303	1,490,897
December 31,	\$ 324,690	\$ 817,606	\$ 1,142,296

See Independent Auditors' Report and Notes to Financial Statements

2003

General Fund	Adjustments	Statement of Activities
\$ 30,770	\$	\$ 30,770
1,887,499		1,887,499
9,145		9,145
105,000		105,000
190,000		190,000
168,321		168,321
	2,400	2,400
132,497		132,497
5,267		5,267
12,730		12,730
2,541,229	2,400	2,543,629
1,434,745	1,191	1,435,936
209,668		209,668
279,983		279,983
233,866	(233,866)	-0-
9,148		9,148
69,099	(69,099)	-0-
10,274		10,274
26,584		26,584
30,002		30,002
14,748		14,748
14,715		14,715
70,000		70,000
164,858		164,858
945		945
42,345	(39,583)	2,762
9,726		9,726
5,748		5,748
	529,030	529,030
5,502		5,502
2,631,956	187,673	2,819,629
(90,727)	(185,273)	(276,000)
485,321	1,281,576	1,766,897
\$ 394,594	\$ 1,096,303	\$ 1,490,897

TOMPKINS COUNTY PUBLIC LIBRARY
TOMPKINS COUNTY PUBLIC LIBRARY FOUNDATION, INC.
(DISCRETELY PRESENTED COMPONENT UNIT)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support:				
Contributions	\$ 117,325	\$ 36,812	\$ 50,631	\$ 204,768
Grants/other	2,402	1,800		4,202
Revenues:				
Interest income	101			101
Dividend income	(5,105)	17,372		12,267
Capital gain dividends	17,913			17,913
Gain (loss) on sale of investments	5,746			5,746
Unrealized gain on fair value of investments	34,756			34,756
In-kind contributions	2,986			2,986
Net assets released from restrictions	74,711	(74,711)		-0-
Total Support and Revenues	250,835	(18,727)	50,631	282,739
Expenses:				
Salaries	67,938			67,938
Employee benefits and taxes	8,570			8,570
Professional services	12,947			12,947
Printing	4,491			4,491
Equipment	68			68
Fund raising	9,150			9,150
Depreciation	915			915
Office supplies and postage	2,792			2,792
Bank and other fees	10,622			10,622
Uncollectable pledges	150			150
In-kind materials	2,021			2,021
Tompkins Co. Public Library Support	158,495			158,495
Total Expenses	278,159	-0-	-0-	278,159
CHANGE IN NET ASSETS	(27,324)	(18,727)	50,631	4,580
Net Assets, January 1,	312,278	225,855	334,250	872,383
Net Assets, December 31,	\$ 284,954	\$ 207,128	\$ 384,881	\$ 876,963

See Independent Auditors' Report and Notes to Financial Statements

2003

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 144,583	\$ 182,169	\$ 49,192	\$ 375,944
7,750	4,250		12,000
299			299
(3,323)	14,436		11,113
28			28
(36,740)			(36,740)
182,075			182,075
6,725			6,725
30,557	(30,557)		-0-
<u>331,954</u>	<u>170,298</u>	<u>49,192</u>	<u>551,444</u>
62,337			62,337
5,555			5,555
12,077			12,077
3,601			3,601
60			60
11,999			11,999
1,378			1,378
1,319			1,319
9,542			9,542
4,867			4,867
4,602			4,602
168,150			168,150
<u>285,487</u>	<u>-0-</u>	<u>-0-</u>	<u>285,487</u>
46,467	170,298	49,192	265,957
<u>265,811</u>	<u>55,557</u>	<u>285,058</u>	<u>606,426</u>
<u>\$ 312,278</u>	<u>\$ 225,855</u>	<u>\$ 334,250</u>	<u>\$ 872,383</u>

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31 2004 and 2003

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). The more significant of the Library's accounting policies are described below.

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.

Discretely Presented Component Units

During the year ended December 31, 2004, the Library implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the Library is not financially accountable should be reported as component units based on the nature and significance of their relationship with the Library. The decision to include potential component units in the Library's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the applications of these criteria, the following is included as a discretely presented component unit.

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., at 101 East Green St., Ithaca, New York, 14850.

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).

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31 2004 and 2003

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:

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.

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.

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31 2004 and 2003

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 \$86,446 and \$80,730 at December 31, 2004 and 2003, 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 14 retirees as health insurance expenditures of \$43,967 and \$43,152 for the periods ended December 31, 2004 and 2003, respectively.

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.

TOMPKINS COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31 2004 and 2003

Note 2 - Detail Notes

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, 2004, per the bank, were \$136,221. These deposits are categorized as follows:

2004			
1	2	3	Carrying Value
\$ 100,000	\$ 36,221	\$ _____	\$ 137,679
2003			
1	2	3	Carrying Values
\$ 100,000	\$ 64,312	\$ _____	\$ 163,197

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31 2004 and 2003

2. Accounts Receivable

Accounts receivable consisted of the following at December 31,:

	<u>2004</u>	<u>2003</u>
Due from TCPL Foundation	\$ 270,701	\$ 301,456
City of Ithaca	-0-	9,145
Other	<u>20,883</u>	<u>2,575</u>
Total Accounts Receivable	<u>\$ 291,584</u>	<u>\$ 313,176</u>

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 are as follows:

	<u>2004</u>			
	<u>Balance at 12/31/03</u>	<u>Additions</u>	<u>Retirements</u>	
<u>Historical Cost</u>				
Equipment	\$ 1,355,442	\$ 54,457	\$	\$ 1,409,899
Collection	4,284,090	215,726	(128,523)	4,371,293
Total Historical Cost	<u>5,639,532</u>	<u>270,183</u>	<u>(128,523)</u>	<u>5,781,192</u>
Less Accumulated Depreciation				
Equipment	594,483	208,416		802,899
Collection	<u>3,868,016</u>	<u>334,748</u>	<u>(128,523)</u>	<u>4,074,241</u>
Total Accumulated Depreciation	<u>4,462,499</u>	<u>543,163</u>	<u>(128,523)</u>	<u>4,877,140</u>
Total Capital Asset, Net	<u>\$ 1,177,033</u>	<u>\$ (272,982)</u>	<u>\$ -0-</u>	<u>\$ 904,052</u>

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEARS ENDED DECEMBER 31 2004 and 2003

<u>Historical Cost</u>	2003			<u>Balance at 12/31/03</u>
	<u>Balance at 12/31/02</u>	<u>Additions</u>	<u>Retirements</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	<u>\$ 1,361,115</u>	<u>\$ (184,082)</u>	<u>\$ -0-</u>	<u>\$ 1,177,033</u>

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

Note 3 - 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 4 - Related Parties

The Tompkins County Public Library received contributions of \$158,818 and \$168,321 from the Tompkins County Public Library Foundation for the years ended December 31, 2004 and 2003, respectively.

The Tompkins County Public Library received contributions of \$235,000 and \$190,000 from the Friends of the Tompkins County Public Library for the years ended December 31, 2004 and 2003.

Tompkins County contributed \$1,967,499 and \$1,887,499 to the Library for the years ended December 31, 2004 and 2003, respectively.

TOMPKINS COUNTY PUBLIC LIBRARY
 BUDGETARY COMPARISON STATEMENTS FOR THE GENERAL FUND
 FOR THE YEARS ENDED DECEMBER 31,

	2004			
	Modified Budget	Actual	Encumbrances	Variance Fav.(Unfav.)
Revenue:				
State source	\$ 95,770	\$ 92,712	\$	\$ (3,058)
Tompkins County	1,967,499	1,967,499		-0-
City of Ithaca	9,000	9,080		80
CLD grant	105,000	99,750		(5,250)
Friends of TCPL	235,000	235,000		-0-
TCPL Foundation	158,494	158,818		324
Gifts and donations				-0-
Library charges	148,500	124,761		(23,739)
Use of money and property	7,000	3,801		(3,199)
Other revenues	6,000	27,225		21,225
Total Revenue	2,732,263	2,718,646	-0-	(13,617)
Expenditures:				
Salaries	1,568,326	1,557,753		10,573
Fringe benefits	334,245	328,060		6,185
Health insurance	272,480	265,527		6,953
Books	169,599	157,364		12,235
Periodicals	13,272	13,267		5
AV/CD ROM materials	57,832	55,961		1,871
Insurance	11,150	11,146		4
Repairs and maintenance	36,255	33,785		2,470
Supplies and materials	29,082	23,624		5,458
Telephone	16,125	16,122		3
Postage	13,755	6,964		6,791
Finger Lakes Library System services	70,000	70,000		-0-
Professional fees	186,105	163,076		23,029
Membership dues	1,330	1,330		-0-
Equipment	76,517	69,390		7,127
Staff development	7,500	5,286		2,214
Publicity and printing	6,880	3,806		3,074
Miscellaneous	26,705	6,089		20,616
Total Expenditures	2,897,158	2,788,550	-0-	108,608
Excess of Revenues (Under) Expenditures	(164,895)	(69,904)	\$ -0-	\$ 94,991
Appropriated Fund Balance	164,895			
Fund Balance, January 1,	-0-	394,594		
Fund Balance, December 31,	\$ -0-	\$ 324,690		

See Independent Auditors' Report

2003

Modified				Variance
Budget	Actual	Encumbrances		Fav.(Unfav.)
\$ 30,770	\$ 30,770	\$	\$	-0-
1,887,499	1,887,499			-0-
8,500	9,145			645
105,000	105,000			-0-
190,000	190,000			-0-
170,723	168,321			(2,402)
				-0-
139,000	132,497			(6,503)
7,000	5,267			(1,733)
14,750	12,730			(2,020)
<u>2,553,242</u>	<u>2,541,229</u>	<u>-0-</u>		<u>(12,013)</u>
1,479,526	1,434,745			44,781
219,800	209,668			10,132
280,335	279,983			352
256,400	233,866			22,534
9,150	9,148			2
72,617	69,099			3,518
10,275	10,274			1
34,000	26,584			7,416
32,989	30,002			2,987
19,500	14,748			4,752
20,000	14,715			5,285
70,000	70,000			-0-
169,846	164,858			4,988
950	945			5
51,615	42,345			9,270
15,000	9,726			5,274
11,880	5,748			6,132
20,934	5,502			15,432
<u>2,774,817</u>	<u>2,631,956</u>	<u>-0-</u>		<u>142,861</u>
<u>(221,575)</u>	<u>(90,727)</u>	<u>\$ -0-</u>	<u>\$</u>	<u>130,848</u>
<u>221,575</u>				
<u>-0-</u>	<u>485,321</u>			
<u>\$ -0-</u>	<u>\$ 394,594</u>			

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.



**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, 2004, and have issued our report thereon dated March 25, 2005. 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.

Ciaschi, Dietershagen, Little, Mickelson & Company, LLP

March 25, 2005
Ithaca, New York

- 14 -

CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

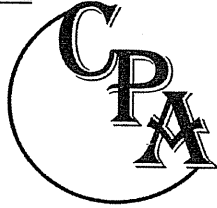
ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
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& Company, LLP**

Certified Public Accountants and Consultants

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 the Tompkins County Public Library for the year ended December 31, 2004, and have issued our report thereon dated March 25, 2005. 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 U.S. generally accepted accounting principles. 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 the 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.

SAS #99, Consideration of Fraud in a Financial Statement Audit

As a result of well-publicized fraud in the public world, a new auditing pronouncement was issued that gives further, more explicit guidance to auditors regarding our responsibility to plan and perform our audit in order to obtain reasonable assurance that the financial statements are free of material misstatement caused by fraud. It remains a Board and management responsibility to detect and prevent fraud. However, SAS #99 resulted in additional procedures which we performed during your audit. Those procedures included inquiries of Board members, employees and a brainstorming session held by the audit team members. Also, our inquiries of management were expanded to include more questions on areas vulnerable to fraud and procedures in place to identify or circumvent fraud in the financial statements. No items or areas of concern were noted during these additional procedures.

Significant Accounting Policies

Management is responsible 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 the Tompkins County Public Library are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Library changed accounting policies related to adopting GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Tompkins County Public Library was added as a discretely presented component unit. We noted no transactions entered into by the 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.

CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

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. Management's estimate of depreciation and compensated absences is based on the estimated useful lives of assets 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 estimates in determining that they are 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 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 Library, either individually or in the aggregate, indicate matters that could have a significant effect on the 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.

Consultations 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. However, 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 and completing our audit.

We would like to thank you and your staff for the cooperation and support given to 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.

Cinchi, Dieterslager Little, Mikelson & Company, LLP

March 25, 2005
Ithaca, New York