

TOMPKINS COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2002 and 2001

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.

Modified Accrual Basis - All governmental funds are accounted for using the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Material revenues that are accrued include state and federal aid, and contributions. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred except:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of the purchase.
- b. Principal and interest on indebtedness are not recognized as an expenditure until due.
- c. Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid. (See Note 1-F)

Account Groups - General fixed assets are recorded at actual or estimated cost or, in the case of gifts and contributions, at the fair value at the time received. No provision for depreciation is made. General long-term debt liabilities are recorded at the par value of the principal amount. No liability is recorded for interest payable to maturity.

D. Budgetary Data - Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the general fund. Encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

E. Property, Plant, and Equipment

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost in the general fixed asset account group. Contributed fixed assets are recorded at fair value at the date received. No depreciation has been provided on general fixed assets, nor has interest on general fixed assets construction in process been capitalized.

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F. 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 \$79,539 and \$96,503 at December 31, 2002 and 2001, respectively, and is recorded in the general long-term debt account group.

G. 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 Library recognized its share of premiums for currently enrolled retirees as health insurance expenditures of \$38,808 and \$36,180 for the periods ended December 31, 2002 and 2001, respectively.

Note 2 - 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 a written investment policy duly adopted in 1998 by its Board. 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 percent. 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 by the Tompkins County Public Library's agent in the 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, (3) uncollateralized.

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Total financial institution (bank) balances at December 31, 2002, were \$156,785. These deposits are categorized as follows:

<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>
\$ <u>100,000</u>	\$ _____	\$ <u>56,785</u>	\$ <u>149,186</u>

2. Books and Inexhaustible Collections

Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them. Books used in the circulating library have not been capitalized because their estimated useful lives are less than one year.

3. Fixed Assets

The Library recognizes equipment purchases greater than \$1,000 as fixed assets. Changes in fixed assets for 2002 and 2001 are as follows:

2002				
	12/31/01	Additions	Deletions	12/31/02
Equipment	\$ <u>1,171,460</u>	\$ <u>35,658</u>	\$ <u>-0-</u>	\$ <u>1,207,118</u>
2001				
	12/31/00	Additions	Deletions	12/31/01
Equipment	\$ <u>973,487</u>	\$ <u>197,973</u>	\$ <u>-0-</u>	\$ <u>1,171,460</u>

No depreciation has been provided on general fixed assets.

4. Accounts Receivable

Accounts receivable consisted of the following at December 31,:

	2002	2001
Due from Tompkins County Public Library Foundation, Inc.	\$ 468,882	\$ 21,030
Due from City of Ithaca	8,567	-0-
Due from NYS	15,000	-0-
Other	<u>552</u>	<u>4,446</u>
Total accounts receivable	\$ <u>493,001</u>	\$ <u>25,476</u>

Accounts receivable are deemed 100% collectible in the subsequent year.

B. Reserves

The operating fund equity includes operating reserve funds established for the following purposes as of December 31,:

Purpose	2002	2001
Retirement	\$ 15,993	\$ 15,993
AV Equipment	<u>250</u>	<u>-0-</u>
	\$ <u>16,243</u>	\$ <u>15,993</u>

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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 \$516,891 and \$549,224 from the Tompkins County Library Foundation for the years ended December 31, 2002 and 2001, respectively.

The Tompkins County Public Library received contributions of \$184,200 and \$160,000 from the Friends of the Tompkins County Public Library for the years ended December 31, 2002 and 2001.

Tompkins County contributed \$1,946,594 and \$2,044,982 for the years ended December 31, 2002 and 2001, respectively.

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Thomas K. Van Derzee, C.P.A.
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**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, 2002, and have issued our report thereon dated April 3, 2003. 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 instances of noncompliance that are required to be reported under Government Auditing Standards. Per New York State statutes, collateral is required for deposits not covered by federal deposit insurance. At December 31, 2002, the Library had deposits of \$56,785 which were not covered by federal deposit insurance. Accordingly, we recommend compliance with deposit collateralization requirements.

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

April 3, 2003
Ithaca, New York

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

We have audited the general purpose financial statements of Tompkins County Public Library for the year ended December 31, 2002, and have issued our report thereon dated April 3, 2003. 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.

No new accounting policies were adopted and the application of existing policies was not changed during the year. 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 estimate affecting the financial statements was compensated absences.

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Management's estimate of the compensated absences is based on employee contract provisions and the subsequent year's salaries. We evaluated the key factors and assumptions used to develop the 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 judgement, 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 general purpose 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.

Giocchi, Dietershagen, Little, Michalsen & Company, LLP

April 3, 2003
Ithaca, New York