

Three Rivers Regional  
Library System

Audit Report

September 30, 2013

# Three Rivers Regional Library System

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## INDEPENDENT AUDITOR'S REPORT

To the Library Board  
Three Rivers Regional Library System

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of the Three Rivers Regional Library System (the "System") as of and for the fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the System as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing

of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

*Caru, Riggs & Ingram, L.L.C.*

Gainesville, Florida

June 23, 2014

# Three Rivers Regional Library System

## Management's Discussion and Analysis

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This discussion and analysis of the Three Rivers Regional Library System's financial performance provides an overview of the System's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the System's financial statements, which follow this section.

### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This annual report contains government-wide financial statements that report on the System's activities as a whole and fund financial statements that report on the System's individual fund.

#### **Government-wide Financial Statements**

The first financial statement is the Statement of Net Position. This statement includes all of the System's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net Position – the difference between assets and liabilities – can be used to measure the System's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the System's financial health is improving or deteriorating. However, other non-financial factors must also be considered when assessing the overall health of the System.

#### **Fund Financial Statements**

Following the government-wide financial statements are the fund financial statements.

- Governmental funds – The General Fund is the System's only governmental fund. This fund is accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the difference between the fund financial statements and the government-wide financial statements.

#### **Condensed Financial Information**

The following tables present condensed, government-wide comparative data about net position and changes in net position.

Three Rivers Regional Library System  
Management's Discussion and Analysis

<b>Net Position</b>	<u>Governmental Activities</u>	
	<b>2013</b>	2012
<i>September 30,</i>		
<b>Assets</b>		
Non-capital assets	\$ 381,712	\$ 407,388
Capital assets	14,396	9,088
<b>Total assets</b>	<b>396,108</b>	<b>416,476</b>
<b>Liabilities</b>		
Current liabilities	10,490	22,810
Long-term liabilities	15,300	18,600
<b>Total liabilities</b>	<b>25,790</b>	<b>41,410</b>
<b>Net position</b>		
Investment in capital assets	14,396	9,088
Restricted	133,908	148,124
Unrestricted	222,014	217,854
<b>Total net position</b>	<b>\$ 370,318</b>	<b>\$ 375,066</b>

<b>Change in Net Position</b>	<u>Governmental Activities</u>	
	2013	2012
<i>Year ended September 30,</i>		
Program revenues:		
Operating grants and contributions	\$ 434,245	\$ 426,110
General revenues:		
Investment earnings	964	1,082
<b>Total revenues</b>	<b>435,209</b>	<b>427,192</b>
Program expenses:		
Culture/recreation	436,570	339,719
Depreciation expense	3,387	2,573
<b>Total expenses</b>	<b>439,957</b>	<b>342,292</b>
<b>Change in net position</b>	<b>(4,748)</b>	<b>84,900</b>
<b>Beginning net position</b>	<b>375,066</b>	<b>290,166</b>
<b>Ending net position</b>	<b>\$ 370,318</b>	<b>\$ 375,066</b>

Three Rivers Regional Library System  
Management's Discussion and Analysis

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**OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

**Governmental Activities**

The governmental activities generated \$434,245 in program revenues and \$964 of general revenues, and incurred \$439,957 of program expenses. This resulted in a \$4,748 decrease in net position.

**THE DISTRICT'S INDIVIDUAL FUNDS**

**General Fund**

The General Fund's fund balance decreased by \$13,356.

**BUDGETARY HIGHLIGHTS**

The original budget for the System anticipated revenues of \$433,111, expenditures of \$806,006 and an overall anticipated decrease in fund balance of \$372,895. Over the course of the year, budget amendments were adopted to decrease anticipated revenues by \$40 while proposed expenditures remained the same. A positive variance primarily occurred because budgeted capital outlay was not expended.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

There was no significant capital asset activity during 2013. Please refer to Note 2 in the accompanying financial statements entitled Capital Assets and Depreciation for more detailed information about the System's capital asset activity.

**Debt Administration**

The System has no significant long-term liabilities. Please refer to Note 3 in the accompanying financial statements entitled Long-Term Liabilities for more detailed information about the System's debt activity.

**ECONOMIC FACTORS**

We are not currently aware of any conditions that are expected to have a significant effect on the System's financial position or results of operations.

**CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dale Collum, at PO Box 1340, Mayo, Florida 32066.

# Three Rivers Regional Library System

## Statement of Net Position

<i>September 30,</i>	2013
<b>Assets</b>	
Cash and cash equivalents	\$ 365,468
Accounts receivable	656
Investment in State Pool	15,588
Capital assets:	
Depreciable capital assets, net	14,396
<b>Total assets</b>	<b>396,108</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	10,490
Long-term liabilities:	
Due within one year	2,700
Due after one year	12,600
<b>Total liabilities</b>	<b>25,790</b>
<b>Net position</b>	
Investment in capital assets	14,396
Restricted	133,908
Unrestricted	222,014
<b>Total net position</b>	<b>\$ 370,318</b>

The accompanying "Notes to Financial Statements"  
form an integral part of this statement.

# Three Rivers Regional Library System

## Statement of Activities

<i>Year ended September 30,</i>	<i>2013</i>
<hr/>	
<b>Expenses</b>	
Culture/recreation:	
Operating expenses	\$ 436,570
Depreciation	3,387
<hr/>	
Total expenses	439,957
<b>Program revenues</b>	
Operating grants and contributions	434,245
<hr/>	
Net program expense	(5,712)
<b>General revenues</b>	
Investment earnings	964
<hr/>	
<b>Change in net position</b>	(4,748)
<b>Net position – beginning of the year</b>	375,066
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<b>Net position – end of the year</b>	<b>\$ 370,318</b>
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The accompanying "Notes to Financial Statements"  
form an integral part of this statement.

Three Rivers Regional Library System

Governmental Funds Balance Sheet

<i>September 30,</i>	2013
	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 365,468
Accounts receivable	656
Investment in State Pool	15,588
<b>Total assets</b>	<b>\$ 381,712</b>
<b>Liabilities and fund balance</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 10,490
Fund balance:	
Restricted for state grant	133,908
Assigned for subsequent year's expenditures	237,314
<b>Total fund balance</b>	<b>371,222</b>
<b>Total liabilities and fund balance</b>	<b>\$ 381,712</b>

The accompanying "Notes to Financial Statements"  
form an integral part of this statement.

Three Rivers Regional Library System

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position

<i>September 30,</i>	2013
<b>Fund balance - total governmental funds</b>	<b>\$ 371,222</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the governmental funds	
Capital assets-net of accumulated depreciation	14,396
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Compensated absences	(15,300)
<b>Net position of governmental activities</b>	<b>\$ 370,318</b>

The accompanying "Notes to Financial Statements"  
form an integral part of this statement.

Three Rivers Regional Library System

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds

<i>Year ended September 30,</i>	2013
	General Fund
<b>Revenues</b>	
Intergovernmental	\$ 434,245
Miscellaneous	964
<b>Total revenues</b>	<b>435,209</b>
<b>Expenditures</b>	
Culture/recreation:	
Personal services	181,337
Operating expenditures	126,020
Books and publications	91,624
Capital outlay	49,584
<b>Total expenditures</b>	<b>448,565</b>
<b>Excess of revenues under expenditures</b>	<b>(13,356)</b>
<b>Fund balance – October 1, 2012</b>	<b>384,578</b>
<b>Fund balance – September 30, 2013</b>	<b>\$ 371,222</b>

The accompanying "Notes to Financial Statements"  
form an integral part of this statement.

Three Rivers Regional Library System

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of Governmental Funds  
to the Statement of Activities

<i>Year ended September 30,</i>	2013
<b>Excess of revenues under expenditures - total governmental funds</b>	\$ (13,356)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful life.	
Acquisitions of capital assets	8,695
Current year depreciation	(3,387)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	3,300
<b>Change in net position of governmental activities</b>	\$ (4,748)

The accompanying "Notes to Financial Statements"  
form an integral part of this statement.

# Three Rivers Regional Library System

## Notes to Financial Statements

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Three Rivers Regional Library System (the “System”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

#### ***Reporting Entity***

The System is a cooperative library system serving the public libraries of Dixie, Gilchrist, Lafayette and Taylor Counties. The System was created, in May 1995, through an interlocal agreement, pursuant to the authority provided in Section 163.01, Florida Statutes, and began serving the citizens of the Dixie, Gilchrist and Lafayette Counties on October 1, 1995. Taylor County was added to the System in August 2011. The System's purpose is to provide for the coordination of library service throughout the region; to provide for equal access to free public library service to all residents of the region; and to formulate and implement consistent plans, programs, policies, and procedures in the operation, maintenance and development of library services throughout the region.

The System receives substantial support from the State of Florida under grants with the Florida Division of Library and Information Services. These grants must be renegotiated at the end of each grant term.

The System is governed by a Library Board whose members are appointed by the respective Boards of County Commissioners of member counties. Each County appoints one County Commissioner and one other person to be members of the Library Board. In addition, the Clerk from each County, or his or her designee, serves alternating one year terms.

The System uses the criteria established in GASB Statement No. 14, as amended, to define the reporting entity and identify component units. Component units are entities for which the System is considered to be financially accountable. There are no entities included as a component unit within the System's reporting entity.

#### ***Government-wide Financial Statements***

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the System. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The System has no business-type activities.

The Statement of Net Position reports the System's financial position as of the end of the year. In this statement, the System's net position is reported in three categories: investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct

# Three Rivers Regional Library System

## Notes to Financial Statements

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function, and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

#### ***Fund Financial Statements***

The financial transactions of the System are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following fund is the only fund used by the System:

#### **Governmental Funds**

General Fund – The General Fund is the general operating fund of the System. It is used to account for and report all financial resources.

#### ***Measurement Focus and Basis of Accounting***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the System considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Certain other revenue items may be considered to be measurable and available only when cash is received.

#### ***Cash and Cash Equivalents***

All deposits are placed in a bank that qualifies as a public depository, as required by law (Florida Security For Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or entirely collateralized pursuant to Chapter 280, Florida Statutes.

# Three Rivers Regional Library System

## Notes to Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Investment in State Pool*

The System invests surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the “State Pool”). The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight. Previously, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools (“Florida PRIME” and “Fund B”).

Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The System’s investment in Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

The Fund B is reported at fair value, determined by the fair value per share of the pool’s underlying portfolio.

At year-end, the System’s investment in the State Pool consisted of:

Florida PRIME	\$ 15,460
Fund B	128
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Total	<u>\$ 15,588</u>

The System’s investment in the State Pool exposes it to credit risk and, for Fund B, interest rate risk. The System does not have a formal investment policy relating to these risks, which are hereafter described.

*Credit Risk* – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Florida PRIME is rated by Standard and Poor’s and has a rating at September 30, 2013 of AAAM.

The Fund B is not rated by a nationally recognized statistical rating agency.

*Interest Rate Risk* – The risk that changes in interest rates will adversely affect the fair value of an investment.

The weighted average life (WAL) of Fund B at September 30, 2013 was 4.04 years. A portfolio’s WAL is the dollar weighted average length of time until securities held reach maturity. Since Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

# Three Rivers Regional Library System

## Notes to Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Capital Assets and Depreciation***

Capital assets are defined by the System as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

#### ***Compensated Absences***

The System's personnel policies allow a limited accumulation and vesting of unused employee vacation and sick leave time.

The liability for compensated absences is accrued when incurred in the government-wide financial statements. In the fund financial statements, a liability for compensated absences is reported to the extent that the liability will be liquidated with expendable available financial resources.

#### ***Long-term Liabilities***

All long-term debt and other long-term obligations are reported in the government-wide financial statements.

In the fund financial statements, long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

#### ***Net Position***

Net position represents the difference between assets and liabilities and is reported in three categories as hereafter described. *Investment in capital assets* represents capital assets, net of accumulated depreciation. Net position is reported as *restricted* when there are legal limitations imposed on their use by the System's legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net position is net position that does not meet the definitions of the classifications previously described.

When both restricted and unrestricted resources are available for use, it is the System's policy to use restricted resources first, and then unrestricted resources as they are needed.

#### ***Fund Balance***

The System follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the System is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

# Three Rivers Regional Library System

## Notes to Financial Statements

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The fund balance classifications specified in GASB Statement No. 54 are as follows:

*Nonspendable Fund Balance* – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the System's highest level of decision-making authority, which is by resolution approved by the Board of Directors. Committed amounts cannot be used for any other purpose unless the System removes those constraints by taking the same type of action.

*Assigned Fund Balance* – Assigned fund balances are amounts that are constrained by the System's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Directors or (b) a body or official to which the Board has delegated the authority to assign amounts to be used for specific purposes.

*Unassigned Fund Balance* – Unassigned fund balance is the residual classification for the General Fund.

The System's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

#### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates and assumptions. Actual results could vary from the estimates that were used.

# Three Rivers Regional Library System

## Notes to Financial Statements

### NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012 (Restated)	Additions	Deletions	Balance September 30, 2013
Capital assets being depreciated:				
Equipment	\$ 59,257	\$ 8,695	\$ -	\$ 67,952
Vehicles	19,213	-	-	19,213
<b>Total capital assets being depreciated</b>	<b>78,470</b>	<b>8,695</b>	<b>-</b>	<b>87,165</b>
Less accumulated depreciation for:				
Equipment	50,169	3,387	-	53,556
Vehicles	19,213	-	-	19,213
<b>Total accumulated depreciation</b>	<b>69,382</b>	<b>3,387</b>	<b>-</b>	<b>72,769</b>
<b>Capital assets, net</b>	<b>\$ 9,088</b>	<b>\$ 5,308</b>	<b>\$ -</b>	<b>\$ 14,396</b>

Beginning balances were restated to reclassify equipment and related accumulated depreciation that was previously reported as vehicles.

### NOTE 3 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013	Due Within One Year
Compensated absences	\$ 18,600	\$ 9,200	\$ 12,500	\$ 15,300	\$ 2,700

### NOTE 4 – DEFINED BENEFIT PENSION PLAN

*Plan Description.* The System contributes to the Florida Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Management Services, Division of Retirement. The System provides retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315, or by calling (850) 488-6491.

*Funding Policy.* The Library System is required to contribute at an actuarially determined rate. The rates at September 30, 2013 were as follows: Regular Employees 6.95%; Special Risk Employees 19.06%; Senior Management 18.31%; Elected Officials 33.03%. Employees are required to contribute 3.00%. The contribution requirements of plan members and the Library System are established and may be amended by the Florida Legislature. The Library System's contributions to the Florida Retirement System for the years ended September 30, 2013, 2012 and 2011 were \$7,799, \$5,528, and \$7,068, respectively, equal to the required contributions for each year.

**NOTE 5 – RISK MANAGEMENT**

***Commercial Insurance***

The System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the System carries commercial insurance. There were no significant reductions in insurance coverages from prior years. For the past three years, there have been no insurance settlements significantly in excess of insurance coverages.

***Public Entity Risk Pool***

The System participates in the Preferred Governmental Insurance Trust, a public entity risk pool for risk related to workers' compensation, general liability, and auto and property liability.

**NOTE 6 – OTHER POSTEMPLOYMENT BENEFIT PLAN**

*Plan Description* – The System participates in Gilchrist County's single employer defined benefit plan for postemployment benefits other than pension benefits (OPEB Plan). The OPEB Plan provides for medical insurance for retirees and eligible dependents of the County and System employees.

The System participates in the health insurance program of Gilchrist County through an interlocal agreement between the County and the System. The System's participation in the program provides health care coverage through a FV5 or HMO plan offered through Florida Blue.

*Eligibility* – Employees of the System are eligible at age 64 and 10 years of service or 30 years of service, regardless of age, which is normal retirement. Once a retiree waives coverage, he is not eligible to participate in the future. Surviving spouses of deceased retirees cannot keep coverage.

*Funding Policy* – The contribution requirements of the plan members and the System are established and may be amended by the Gilchrist County Board of County Commissioners. A trust has not been established. Contributions are being made based on pay-as-you-go financing requirements. Currently, retirees contribute 100% of the rate for 12 months, then may continue with 100% contribution of the rate, which is the same as the active member premium rates, until age 65.

The System does not have an actuarial valuation performed independently. Consequently, the accompanying financial statements do not report an OPEB liability for the System. The actuarial valuation performed for Gilchrist County as of October 1, 2011 includes the System as part of the census data used by the actuary. A separate stand-alone financial statement is not prepared for the Plan. However, the disclosures required by generally accepted accounting principles and the supplementary information required by the Governmental Accounting Standards Board can be found in the financial statements of Gilchrist County.

**NOTE 7 – FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Items previously reported as assets and liabilities;
- Accounting and financial reporting for pensions;
- Mergers, acquisitions and transfers of operations; and
- Financial guarantees.

The System is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

## Required Supplementary Information

Three Rivers Regional Library System  
Budgetary Comparison Schedule – General Fund

Year ended September 30,

2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental:				
State Aid to Libraries Grant	\$344,311	\$344,311	\$ 344,311	\$ -
Dixie County	22,000	22,000	22,000	-
Gilchrist County	19,000	19,000	19,000	-
Lafayette County	20,000	20,000	20,000	-
Taylor County	25,000	25,000	25,000	-
Other	2,000	2,000	3,934	1,934
<b>Total intergovernmental</b>	<b>432,311</b>	<b>432,311</b>	<b>434,245</b>	<b>1,934</b>
Miscellaneous	800	760	964	204
<b>Total revenues</b>	<b>433,111</b>	<b>433,071</b>	<b>435,209</b>	<b>2,138</b>
<b>Expenditures</b>				
Culture/recreation:				
Personal services	191,507	191,507	181,337	10,170
Operating expenditures	140,001	153,501	126,020	27,481
Books and publications	87,700	87,700	91,624	(3,924)
Capital outlay	366,798	353,298	49,584	303,714
Reserve for contingencies	20,000	20,000	-	20,000
<b>Total expenditures</b>	<b>806,006</b>	<b>806,006</b>	<b>448,565</b>	<b>357,441</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(372,895)</b>	<b>(372,935)</b>	<b>(13,356)</b>	<b>359,579</b>
<b>Fund balances – October 1, 2012</b>	<b>372,895</b>	<b>372,935</b>	<b>384,578</b>	<b>11,643</b>
<b>Fund balances – September 30, 2013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 371,222</b>	<b>\$ 371,222</b>

Notes to Schedule:

The annual budget is adopted and amended by the Library Board. The budget is prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The fund is the legal level of control.

## Supplementary Information

Three Rivers Regional Library System

Schedule of Financial Assistance

Year ended September 30,

2013

<b>State Awards</b>	CSFA Number	ID Number	Expenditures
Department of State and Secretary of State:			
State Aid to Libraries	45.030	13-ST-85	\$ 344,311
Total expenditures of state financial assistance			\$ 344,311

**NOTE 1 – BASIS OF ACCOUNTING**

This schedule was prepared using the modified accrual basis of accounting.

Additional Elements Required  
by the Rules of the Auditor General



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## MANAGEMENT LETTER

To the Library Board  
Three Rivers Regional Library System

We have audited the financial statements of the Three Rivers Regional Library System, as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated June 23, 2014.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

### ***Prior Audit Findings***

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding audit. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. The System has no uncorrected prior audit findings that are required to be identified pursuant to the Rules of the Auditor General.

### ***Financial Condition***

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the System has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(7). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

### ***Annual Financial Report***

As required by the Rules of the Auditor General, we determined that the financial report filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in substantial agreement with the audit report for the fiscal year ended September 30, 2013.

### ***Investment of Public Funds***

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal any noncompliance with the provisions of Section 218.415, Florida Statutes.

### ***Other Matters***

Our audit did not reveal any other matters that we are required to include in this management letter.

This management letter is intended solely for the information and use of the Library Board, management, and the Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. We have sincerely enjoyed our association with the Three Rivers Regional Library System and look forward to a continuing relationship. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

*Car, Riggs & Ingram, L.L.C.*

Gainesville, Florida  
June 23, 2014

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Library Board  
Three Rivers Regional Library System

We have audited, 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, the financial statements of the governmental activities and General Fund of the Three Rivers Regional Library System (the "System") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated June 23, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the System's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Gainesville, Florida  
June 23, 2014