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FORM 10
Rev. 06/10

FINANCIAL STATEMENTS ROUTING SHEET

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ROUTE FILE TO: Martha Garcia-Baker

THREE RIVERS REGIONAL
LIBRARY SYSTEM

AUDIT REPORT

SEPTEMBER 30, 2011

**Audit Report
Three Rivers Regional Library System
September 30, 2011**

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Independent Auditors' Report

To the Library Board
Three Rivers Regional Library System

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, 2011, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. 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 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 audit provides a reasonable basis for our 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 24, 2012 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* and should be considered in assessing the results of our audit.

To the Library Board
Three Rivers Regional Library System
Page 2

Management's discussion and analysis and the budgetary comparison schedule are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Carr, Riggs & Ingram LLC". The signature is written in black ink on a white background.

May 24, 2012
Gainesville, Florida

Management's Discussion and Analysis

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, 2011. 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 Assets. 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 assets – 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 assets during the fiscal year. Over time, the increases or decreases in net assets 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 assets and changes in net assets.

Management's Discussion and Analysis

Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets:		
Non-capital Assets	\$ 306,900	\$ 253,054
Capital Assets	7,771	721
Total Assets	<u>314,671</u>	<u>253,775</u>
Liabilities:		
Current Liabilities	13,305	11,794
Long-term Liabilities	11,200	9,300
Total Liabilities	<u>24,505</u>	<u>21,094</u>
Net Assets:		
Invested in Capital Assets	7,771	721
Restricted	54,055	-
Unrestricted	228,340	231,960
Total Net Assets	<u>\$ 290,166</u>	<u>\$ 232,681</u>

Change in Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Program Revenues:		
Operating Grants and Contributions	\$ 395,996	\$ 346,260
General Revenues:		
Investment Earnings	798	764
Total Revenues	<u>396,794</u>	<u>347,024</u>
Program Expenses:		
Culture/Recreation	338,412	344,455
Depreciation Expense	897	1,500
Total Expenses	<u>339,309</u>	<u>345,955</u>
Change in Net Assets	57,485	1,069
Beginning Net Assets	<u>232,681</u>	<u>231,612</u>
Ending Net Assets	<u>\$ 290,166</u>	<u>\$ 232,681</u>

Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$395,996 in program revenues and \$798 of general revenues, and incurred \$339,309 of program expenses. This resulted in a \$57,485 increase in net assets.

THE DISTRICT'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$52,835.

BUDGETARY HIGHLIGHTS

The original budget for the System anticipated revenues of \$343,688, expenditures of \$566,152 and an overall anticipated decrease in fund balance of \$222,464. Over the course of the year, budget amendments were adopted to increase anticipated revenues by \$54,960 and increase proposed expenditures by \$55,000. A positive variance primarily occurred because budgeted capital outlay was not expended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The most significant capital asset activity during 2011 was the disposal of certain items of computer equipment no longer in service. 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 Cynthia Welch, at PO Box 1340, Mayo, Florida 32066.

**Statement of Net Assets
September 30, 2011
Three Rivers Regional Library System**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 291,392
Investment in State Pool	15,508
Capital Assets:	
Depreciable Capital Assets, Net	<u>7,771</u>
 TOTAL ASSETS	 <u>314,671</u>
<u>LIABILITIES</u>	
Accounts Payable and Accrued Liabilities	9,905
Long-term Liabilities:	
Due Within One Year	3,400
Due After One Year	<u>11,200</u>
 TOTAL LIABILITIES	 <u>24,505</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	7,771
Restricted	54,055
Unrestricted	<u>228,340</u>
 TOTAL NET ASSETS	 <u><u>\$ 290,166</u></u>

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

**Statement of Activities
For the Year Ended September 30, 2011
Three Rivers Regional Library System**

	<u>Governmental Activities</u>
<u>EXPENSES</u>	
Culture/Recreation:	
Operating Expenses	\$ 338,412
Depreciation	<u>897</u>
TOTAL EXPENSES	339,309
<u>PROGRAM REVENUES</u>	
Operating Grants and Contributions	<u>395,996</u>
NET PROGRAM REVENUES	56,687
<u>GENERAL REVENUES</u>	
Investment Earnings	<u>798</u>
CHANGE IN NET ASSETS	57,485
NET ASSETS – BEGINNING OF YEAR	<u>232,681</u>
NET ASSETS – END OF YEAR	<u>\$ 290,166</u>

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

**Balance Sheet
Governmental Funds
September 30, 2011
Three Rivers Regional Library System**

	General Fund
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 291,392
Investment in State Pool	15,508
TOTAL ASSETS	\$ 306,900
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable and Accrued Liabilities	\$ 9,905
<u>FUND BALANCE</u>	
Restricted	54,055
Unassigned	242,940
TOTAL FUND BALANCES	296,995
TOTAL LIABILITIES AND FUND BALANCE	\$ 306,900

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

**Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2011
Three Rivers Regional Library System**

FUND BALANCE – TOTAL GOVERNMENTAL FUNDS	\$ 296,995
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the governmental funds	
Capital Assets-Net of Accumulated Depreciation	7,771
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Compensated Absences	<u>(14,600)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 290,166</u>

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

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2011
Three Rivers Regional Library System**

	General Fund
<u>REVENUES</u>	
Intergovernmental	\$ 395,996
Miscellaneous	798
TOTAL REVENUES	396,794
<u>EXPENDITURES</u>	
Culture/Recreation:	
Personal Services	114,822
Operating Expenditures	165,786
Books and Publications	63,351
TOTAL EXPENDITURES	343,959
EXCESS OF REVENUES OVER EXPENDITURES	52,835
FUND BALANCE - October 1, 2010	244,160
FUND BALANCE - September 30, 2011	\$ 296,995

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

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Governmental Funds
For the Year Ended September 30, 2011
Three Rivers Regional Library System**

EXCESS OF REVENUES OVER EXPENDITURES –	
TOTAL GOVERNMENTAL FUNDS	\$ 52,835

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	7,947
Current Year Depreciation	(897)

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	(2,400)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 57,485
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The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Notes To Financial Statements
September 30, 2011
Three Rivers Regional Library System

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 and Lafayette 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 three-county region on October 1, 1995. 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 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 Assets 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 Assets reports the System’s financial position as of the end of the year. In this statement, the System’s net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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 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

Notes To Financial Statements
September 30, 2011
Three Rivers Regional Library System

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

**Notes To Financial Statements
September 30, 2011
Three Rivers Regional Library System**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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	\$ 15,166
Fund B	342
Total	<u>\$ 15,508</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 Poors and has a rating at September 30, 2011 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, 2011 was 4.82 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.

Notes To Financial Statements
September 30, 2011
Three Rivers Regional Library System

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are 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 assets are net assets that do 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.

Notes To Financial Statements
September 30, 2011
Three Rivers Regional Library System

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Notes To Financial Statements
September 30, 2011
Three Rivers Regional Library System

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011
Capital Assets Being Depreciated				
Equipment	\$ 180,361	\$ 7,947	\$ 132,941	\$ 55,367
Vehicles	35,642	-	-	35,642
Total Capital Assets Being Depreciated	<u>216,003</u>	<u>7,947</u>	<u>132,941</u>	<u>91,009</u>
Less Accumulated Depreciation for:				
Equipment	179,639	897	132,941	47,595
Vehicles	35,643	-	-	35,643
Total Accumulated Depreciation	<u>215,282</u>	<u>897</u>	<u>132,941</u>	<u>83,238</u>
Capital Assets, Net	<u>\$ 721</u>	<u>\$ 7,050</u>	<u>\$ -</u>	<u>\$ 7,771</u>

NOTE 3 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011	Due Within One Year
Compensated Absences	<u>\$ 12,200</u>	<u>\$ 6,000</u>	<u>\$ 3,600</u>	<u>\$ 14,600</u>	<u>\$ 3,400</u>

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 Florida Retirement System was employee noncontributory through June 30, 2011. The Library System is required to contribute at an actuarially determined rate. The rates at September 30, 2011 were as follows: Regular Employees 4.91%; Special Risk Employees 14.10%; Senior Management 6.27%; Elected Officials 11.14%. 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, 2011, 2010 and 2009 were \$7,068, \$12,170 and \$11,787, respectively, equal to the required contributions for each year.

Notes To Financial Statements
September 30, 2011
Three Rivers Regional Library System

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 United Healthcare.

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, which is the same as the active member premium rates.

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, 2009 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.

REQUIRED SUPPLEMENTARY INFORMATION

**Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended September 30, 2011
Three Rivers Regional Library System**

	Budgeted		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Intergovernmental:				
State Aid to Libraries Grant	\$ 279,943	\$ 279,943	\$ 279,996	\$ 53
Other Operating Grant	-	55,000	55,000	-
Dixie County	22,000	22,000	22,000	-
Gilchrist County	19,000	19,000	19,000	-
Lafayette County	20,000	20,000	20,000	-
Total Intergovernmental	340,943	395,943	395,996	53
Miscellaneous	2,745	2,705	798	(1,907)
TOTAL REVENUES	343,688	398,648	396,794	(1,854)
<u>EXPENDITURES</u>				
Culture/Recreation:				
Personal Services	166,042	166,042	114,822	51,220
Operating Expenditures	106,827	175,091	165,786	9,305
Books and Publications	71,382	71,382	63,351	8,031
Capital Outlay	201,901	188,637	-	188,637
Reserve for Contingencies	20,000	20,000	-	20,000
TOTAL EXPENDITURES	566,152	621,152	343,959	277,193
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(222,464)	(222,504)	52,835	275,339
FUND BALANCES – October 1, 2010	222,464	222,504	244,160	21,656
FUND BALANCES – September 30, 2011	\$ -	\$ -	\$ 296,995	\$ 296,995

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.

SUPPLEMENTAL INFORMATION

**Schedule of Financial Assistance
For the Fiscal Year Ended September 30, 2011
Three Rivers Regional Library System**

STATE AWARDS	<u>CSFA NUMBER</u>	<u>ID NUMBER</u>	<u>EXPEND- ITURES</u>
<u>DEPARTMENT OF STATE AND SECRETARY OF STATE</u>			
State Aid to Libraries	45.030	11-ST-87	\$ 225,941
Library Services and Technology Act	45.310	10-LSTA-D-02-G	<u>55,000</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 280,941</u>

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**

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, 2011, and have issued our report thereon dated May 24, 2012.

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, which are indicative of a state of financial emergency.

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, 2011.

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.



May 24, 2012
Gainesville, Florida

To the Library Board
Three Rivers Regional Library System

We have audited 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, 2011, which collectively comprise the System's basic financial statements, and have issued our report thereon dated May 17, 2011. 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.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Internal Control Over Financial Reporting

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that that we consider to be material weaknesses, as defined above.

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*.

Communication with Those Charged with Governance

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

During 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions.

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. There were no particularly sensitive estimates significantly affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no particularly sensitive disclosures significantly affecting the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

This report 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.



May 24, 2012
Gainesville, Florida

**Management's Response to Auditors' Findings
September 30, 2011
Three Rivers Regional Library System**

There are no findings that require a written response.