

Three Rivers Regional Library
System

Audit Report

September 30, 2012

Three Rivers Regional Library System

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INDEPENDENT AUDITOR'S 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, 2012, 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, 2012, 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 June 10, 2013 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.

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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The supplementary 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 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. The 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.

A handwritten signature in cursive script that reads "Carr, Riggs & Ingram LLC".

Gainesville, Florida
June 10, 2013

Three Rivers Regional Library System

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, 2012. 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.

Three Rivers Regional Library System
Management's Discussion and Analysis

Net Assets	Governmental Activities	
	2012	2011
<i>As of September 30,</i>		
Assets		
Non-capital assets	\$ 407,388	\$ 306,900
Capital assets	9,088	7,771
Total assets	416,476	314,671
Liabilities		
Current liabilities	26,410	13,305
Long-term liabilities	15,000	11,200
Total liabilities	41,410	24,505
Net Assets		
Invested in capital assets	9,088	7,771
Restricted	148,124	54,055
Unrestricted	217,854	228,340
Total net assets	\$ 375,066	\$ 290,166

Change in Net Assets	Governmental Activities	
	2012	2011
<i>Year Ended September 30,</i>		
Program revenues:		
Operating grants and contributions	\$ 426,110	\$ 395,996
General revenues:		
Investment earnings	1,082	798
Total revenues	427,192	396,794
Program expenses:		
Culture/Recreation	339,719	338,412
Depreciation expense	2,573	897
Total expenses	342,292	339,309
Change in net assets	84,900	57,485
Beginning net assets	290,166	232,681
Ending net assets	\$ 375,066	\$ 290,166

Three Rivers Regional Library System
Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$426,110 in program revenues and \$1,082 of general revenues, and incurred \$342,292 of program expenses. This resulted in a \$84,900 increase in net assets.

THE DISTRICT'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$87,583.

BUDGETARY HIGHLIGHTS

The original budget for the System anticipated revenues of \$365,363, expenditures of \$660,363 and an overall anticipated decrease in fund balance of \$295,000. Over the course of the year, budget amendments were adopted to increase anticipated revenues by \$60,878 and increase proposed expenditures by \$60,878. 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 2012. 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 Midge O'Connor, at PO Box 1340, Mayo, Florida 32066.

Three Rivers Regional Library System

Statement of Net Assets

<i>As of September 30,</i>	2012
Assets	
Cash and cash equivalents	\$ 391,658
Accounts receivable	175
Investment in State Pool	15,555
Capital assets:	
Depreciable capital assets, net	9,088
Total assets	416,476
Liabilities	
Accounts payable and accrued liabilities	22,810
Long-term liabilities:	
Due within one year	3,600
Due after one year	15,000
Total liabilities	41,410
Net Assets	
Invested in capital assets	9,088
Restricted	148,124
Unrestricted	217,854
Total net assets	\$ 375,066

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>	2012
Expenses	
Culture/Recreation:	
Operating expenses	\$ 339,719
Depreciation	2,573
	<hr/>
Total expenses	342,292
Program revenues	
Operating grants and contributions	426,110
	<hr/>
Net program revenues	83,818
General revenues	
Investment earnings	1,082
	<hr/>
Change in net assets	84,900
Net assets - beginning of the year	290,166
	<hr/>
Net assets - end of the year	\$ 375,066

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>	2012
	General Fund
Assets	
Cash and cash equivalents	\$ 391,658
Accounts receivable	175
Investment in State Pool	15,555
Total assets	\$ 407,388
 Liabilities and Fund Balance	
Liabilities:	
Accounts payable and accrued liabilities	\$ 22,810
Fund balance:	
Restricted for state grant	148,124
Unassigned	236,454
Total fund balance	384,578
Total liabilities and fund balance	\$ 407,388

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 Assets

<i>As of September 30,</i>	2012
Fund balance - total governmental funds	\$ 384,578
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	9,088
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Compensated absences	(18,600)
Net assets of governmental activities	\$ 375,066

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>	2012
	General Fund
<hr/>	
Revenues	
Intergovernmental	\$ 425,441
Miscellaneous	1,751
<hr/>	
Total revenues	427,192
<hr/>	
Expenditures	
Culture/recreation:	
Personal services	149,547
Operating expenditures	93,893
Books and publications	92,279
Capital outlay	3,890
<hr/>	
Total expenditures	339,609
<hr/>	
Excess of revenues over expenditures	87,583
Fund balance - October 1, 2011	296,995
<hr/>	
Fund balance - September 30, 2012	\$ 384,578
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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>	2012
Excess of revenues over expenditures - Total governmental funds	\$ 87,583
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	3,890
Current year depreciation	(2,573)
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	(4,000)
Change in net assets of governmental activities	\$ 84,900

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

Three Rivers Regional Library System

Notes to Financial Statements

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 on 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 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

Three Rivers Regional Library System

Notes to Financial Statements

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

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	\$ 15,274
Fund B	281
<u>Total</u>	<u>\$ 15,555</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, 2012 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, 2012 was 4.08 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

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 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.

Three Rivers Regional Library System

Notes to Financial Statements

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, 2012 was as follows:

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
Capital assets being depreciated:				
Equipment	\$ 55,367	\$ 3,890	\$ 16,429	\$ 42,828
Vehicles	35,642	-	-	35,642
Total capital assets being depreciated	91,009	3,890	16,429	78,470
Less accumulated depreciation for:				
Equipment	47,595	2,573	16,429	33,739
Vehicles	35,643	-	-	35,643
Total accumulated depreciation	83,238	2,573	16,429	69,382
Capital assets, net	\$ 7,771	\$ 1,317	\$ -	\$ 9,088

NOTE 3 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012	Due Within One Year
Compensated Absences	\$ 14,600	\$ 8,900	\$ 4,900	\$ 18,600	\$ 3,600

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, 2012 were as follows: Regular Employees 5.18%; Special Risk Employees 14.90%; Senior Management 6.30%; Elected Officials 10.23%. 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, 2012, 2011 and 2010 were \$5,528, \$7,068, and \$12,170, 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 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 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.

Three Rivers Regional Library System

Notes to Financial Statements

NOTE 7 – FUTURE ACCOUNTING PRONOUNCEMENTS

The following statements of the Governmental Accounting Standards Board will be effective for the System's 2013 fiscal year:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*

Statement No. 61, *The Financial Reporting Entity: Omnibus*

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

The System is currently evaluating the effects that these statements will have on its financial statements for the year ended September 30, 2013.

Required Supplementary Information

Three Rivers Regional Library System
Budgetary Comparison Schedule – General Fund

Year ended September 30,

2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental:				
State Aid to Libraries Grant	\$ 291,563	\$ 342,882	\$ 342,882	\$ -
Dixie County	19,000	19,000	19,000	-
Gilchrist County	22,000	22,000	22,000	-
Lafayette County	20,000	20,000	20,000	-
Taylor County	12,000	21,559	21,559	-
Total intergovernmental	364,563	425,441	425,441	-
Miscellaneous	800	800	1,751	951
Total revenues	365,363	426,241	427,192	951
Expenditures				
Culture/Recreation:				
Personal services	167,059	188,378	149,547	38,831
Operating expenditures	117,350	154,850	93,893	60,957
Books and publications	74,400	93,355	92,279	1,076
Capital outlay	281,554	264,658	3,890	260,768
Reserve for contingencies	20,000	20,000	-	20,000
Total expenditures	660,363	721,241	339,609	381,632
Excess of revenues (over) under expenditures	(295,000)	(295,000)	87,583	382,583
Fund balances – October 1, 2011	295,000	295,000	296,995	1,995
Fund balances – September 30, 2012	\$ -	\$ -	\$ 384,578	\$ 384,578

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,

2012

State Awards	CSFA Number	ID Number	Expenditures
Department of State and Secretary of State:			
State Aid to Libraries	45.030	12-ST-84	\$ 248,813
Total expenditures of state financial assistance			\$ 248,813

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, 2012, and have issued our report thereon dated June 10, 2013.

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, 2012.

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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram LLC". The signature is written in a cursive, flowing style.

Gainesville, Florida
June 10, 2013

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, 2012, which collectively comprise the System's basic financial statements, and have issued our report thereon dated June 10, 2013. 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. We did not identify any deficiencies in internal control over financial reporting 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. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus.

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. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram LLC". The signature is written in a cursive, flowing style.

Gainesville, Florida
June 10, 2013

Three Rivers Regional Library System
Management's Response to Auditor's Findings

There are no findings that require a written response.