

# Three Rivers Regional Library System

Audit Report

September 30, 2015



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**September 30, 2015**

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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, 2015, 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 8 to the financial statements, the System restated the beginning net position of the governmental activities due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information, and the pension trend 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 August 03, 2016, on our consideration of the System's internal control over financial reporting and on 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.

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

Gainesville, Florida  
August 03, 2016



## 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, 2015. 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, liabilities, and deferred outflows/inflows 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, liabilities, and deferred outflows/inflows – 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

#### Net Position

	Governmental Activities	
<i>September 30,</i>	<b>2015</b>	2014
<b>Assets</b>		
Non-capital assets	\$ 464,621	\$ 419,153
Capital assets	<b>26,423</b>	34,516
Total assets	<b>491,044</b>	453,669
<b>Deferred outflows</b>		
Related to pensions	<b>26,627</b>	-
<b>Liabilities</b>		
Current liabilities	<b>21,645</b>	7,253
Long-term liabilities	<b>94,200</b>	16,200
Total liabilities	<b>115,845</b>	23,453
<b>Deferred inflows</b>		
Related to pensions	<b>33,047</b>	-
<b>Net position</b>		
Investment in capital assets	<b>26,423</b>	34,516
Restricted	<b>186,895</b>	150,380
Unrestricted	<b>155,461</b>	245,320
Total net position	<b>\$ 368,779</b>	\$ 430,216

#### Change in Net Position

	Governmental Activities	
<i>Year ended September 30,</i>	<b>2015</b>	2014
<b>Program revenues:</b>		
Operating grants and contributions	\$ 429,130	\$ 435,890
<b>General revenues:</b>		
Investment earnings	<b>866</b>	638
Total revenues	<b>429,996</b>	436,528
<b>Program expenses:</b>		
Culture/recreation	<b>390,264</b>	372,172
Depreciation expense	<b>8,093</b>	4,458
Total expenses	<b>398,357</b>	376,630
Change in net position	<b>31,639</b>	59,898
Beginning net position, as restated for 2015	<b>337,140</b>	370,318
Ending net position	<b>\$ 368,779</b>	\$ 430,216



## Three Rivers Regional Library System

### Management's Discussion and Analysis

#### OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

##### Governmental Activities

Beginning net position was restated by \$93,076 because GASB's new pension accounting standards were implemented during 2015.

The governmental activities generated \$429,130 in program revenues and \$866 of general revenues, and incurred \$398,357 of program expenses. This resulted in a \$31,639 increase in net position.

#### THE DISTRICT'S INDIVIDUAL FUNDS

##### General Fund

The General Fund's fund balance increased by \$39,796.

#### BUDGETARY HIGHLIGHTS

The original budget for the System anticipated revenues of \$426,475, expenditures of \$832,265 and an overall anticipated decrease in fund balance of \$405,790. There were no budget amendments during the year. A positive variance primarily occurred because budgeted capital outlay for special projects was not expended.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

There was no significant capital asset activity during 2015. 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's long-term liabilities primarily consist of the net pension liability. 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  
September 30, 2015

**Assets**

Cash and cash equivalents	\$ 441,597
Accounts receivable	7,350
Investment in State Pool	15,674
Capital assets:	
Depreciable capital assets, net	26,423
<hr/>	
Total assets	491,044

<b>Deferred outflows - related to pensions</b>	26,627
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**Liabilities**

Accounts payable and accrued liabilities	15,745
Long-term liabilities:	
Due within one year	5,900
Due after one year	94,200
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Total liabilities	115,845

<b>Deferred inflows - related to pensions</b>	33,047
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**Net position**

Investment in capital assets	26,423
Restricted	186,895
Unrestricted	155,461
<hr/>	
Total net position	\$ 368,779

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



**Three Rivers Regional Library System**

**Statement of Activities**  
**Year ended September 30, 2015**

**Expenses**

Culture/recreation:

Operating expenses	\$ 390,264
Depreciation	8,093

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Total expenses	398,357
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**Program revenues**

Operating grants and contributions	429,130
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Net program revenue	30,773
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**General revenues**

Investment earnings	866
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<b>Change in net position</b>	31,639
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<b>Net position – beginning of the year, as restated</b>	337,140
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<b>Net position – end of the year</b>	\$ 368,779
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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  
September 30, 2015**

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 441,597
Accounts receivable	7,350
Investment in State Pool	15,674
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Total assets	\$ 464,621
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<b>Liabilities, deferred inflows and fund balance</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 15,745
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Deferred inflows:	
Unavailable revenue	6,705
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Fund balance:	
Restricted for state grant	186,895
Assigned for subsequent year's expenditures	255,276
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Total fund balance	442,171
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Total liabilities, deferred inflows and fund balance	\$ 464,621
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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 Governmental Funds Balance Sheet to the Statement of Net Position September 30, 2015

<b>Fund balance - total governmental funds</b>	\$ 442,171
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	26,423
Unavailable revenue is reported as a deferred inflow in governmental funds but not in governmental activities.	
	6,705
Deferred outflows and inflows related to pensions are reported in governmental activities but not in governmental funds.	
Deferred outflows	26,627
Deferred inflows	(33,047)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	(18,100)
Net pension liability	(82,000)
<b>Net position of governmental activities</b>	<b>\$ 368,779</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  
Year ended September 30, 2015

	General Fund
<b>Revenues</b>	
Intergovernmental	\$ 429,130
Miscellaneous	866
<b>Total revenues</b>	<b>429,996</b>
<b>Expenditures</b>	
Culture/recreation:	
Personal services	166,638
Operating expenditures	135,599
Books and publications	87,963
<b>Total expenditures</b>	<b>390,200</b>
<b>Excess of revenues over expenditures</b>	<b>39,796</b>
<b>Fund balance – October 1, 2014</b>	<b>402,375</b>
<b>Fund balance – September 30, 2015</b>	<b>\$ 442,171</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  
Year ended September 30, 2015

<b>Excess of revenues over expenditures - total governmental funds</b>	<b>\$ 39,796</b>
Amounts reported for governmental activities in the statement of activities are different because:	
The timing of revenue recognition sometimes differs between governmental funds and the statement of activities.	(2,820)
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. Current year depreciation	(8,093)
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	(1,900)
The changes in the net pension liability and related deferred outflows and inflows are reported in the statement of activities but not in the governmental funds. Net pension liability Deferred outflows Deferred inflows	(21,796) 19,201 7,251
<b>Change in net position of governmental activities</b>	<b>\$ 31,639</b>

*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 in August 2012. 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 expenses are those that are

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

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.

**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”), also known as Florida PRIME. The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight.

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 Florida PRIME is rated by Standard and Poor’s and has a rating at September 30, 2015 of AAAM. The weighted average maturity (WAM) of the Florida PRIME at September 30, 2015 was 29 days.

The System does not have a formal investment policy and, therefore, follows the provisions of Section 218.415, Florida Statutes. That statute provides the authority for the System to invest in the State Pool.

***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.

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

***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.

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.

Notes to Financial Statements

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

*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.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan and Health Insurance Subsidy Program and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Deferred Outflows/Inflows of Resources***

A *deferred outflow of resources* is a consumption of net assets that is applicable to a future reporting period.

A *deferred inflow of resources* is an acquisition of net assets that is applicable to a future reporting period.

***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, 2015 was as follows:

	Balance October 1, 2014	Additions	Deletions	Balance September 30, 2015
Capital assets being depreciated:				
Equipment	\$ 67,952	\$ -	\$ -	\$ 67,952
Vehicles	43,791	-	-	43,791
<b>Total capital assets being depreciated</b>	<b>111,743</b>	<b>-</b>	<b>-</b>	<b>111,743</b>
Less accumulated depreciation for:				
Equipment	57,195	3,178	-	60,373
Vehicles	20,032	4,915	-	24,947
<b>Total accumulated depreciation</b>	<b>77,227</b>	<b>8,093</b>	<b>-</b>	<b>85,320</b>
<b>Capital assets, net</b>	<b>\$ 34,516</b>	<b>\$ (8,093)</b>	<b>\$ -</b>	<b>\$ 26,423</b>

#### NOTE 3 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance October 1, 2014 (Restated)	Additions	Deductions	Balance September 30, 2015	Due Within One Year
Compensated absences	\$ 16,200	\$ 10,800	\$ 8,900	\$ 18,100	\$ 4,400
Net pension liability	60,204	21,796	-	82,000	1,500
<b>Total</b>	<b>\$ 76,404</b>	<b>\$ 32,596</b>	<b>\$ 8,900</b>	<b>\$ 100,100</b>	<b>\$ 5,900</b>

#### NOTE 4 – STATE OF FLORIDA PENSION PLANS

##### *Defined Benefit Plans*

The System participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide 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 State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000 or by calling (844) 377-1888.

**NOTE 4 – STATE OF FLORIDA PENSION PLANS (CONTINUED)**

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

***Benefits Provided***

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

***Contributions***

The contribution requirements of plan members and the System are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The System's contribution rates as of September 30, 2015, were as follows:

## Three Rivers Regional Library System

### Notes to Financial Statements

#### NOTE 4 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

	FRS	HIS
Regular class	5.60%	1.66%
Special risk class	20.38%	1.66%
Senior management service class	19.77%	1.66%
Elected officials	40.61%	1.66%
DROP from FRS	11.22%	1.66%

The System’s contributions for the year ended September 30, 2015, were \$7,251 to the FRS and \$1,658 to the HIS.

#### ***Pension Liabilities and Pension Expense***

In its financial statements for the year ended September 30, 2015, the System reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2015. The System’s proportions of the net pension liabilities were based on the System’s share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 40,091	\$ 41,909
Proportion at:		
Current measurement date	0.0003%	0.0004%
Prior measurement date	0.0003%	0.0004%
Pension expense (benefit)	\$ 1,378	\$ 2,874

#### ***Deferred Outflows/Inflows of Resources Related to Pensions***

At September 30, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Three Rivers Regional Library System

### Notes to Financial Statements

#### NOTE 4 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,232	\$ 951	\$ -	\$ -
Changes of assumptions	2,661	-	3,297	-
Net difference between projected and actual earnings on pension plan investments	14,121	23,694	23	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	6,738	107	1,664
Employer contributions subsequent to the measurement date	1,683	-	503	-
<b>Total</b>	<b>\$ 22,697</b>	<b>\$ 31,383</b>	<b>\$ 3,930</b>	<b>\$ 1,664</b>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2016. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2016	\$ (2,543)	\$ 287
2017	(2,543)	287
2018	(2,543)	287
2019	(2,541)	286
2020	(148)	281
Thereafter	(51)	335
<b>Total</b>	<b>\$ (10,369)</b>	<b>\$ 1,763</b>

#### **Actuarial Assumptions**

The total pension liability for each of the defined benefit plans, measured as of June 30, 2015, was determined by an actuarial valuation dated July 1, 2015, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.65%	N/A
Discount rate	7.65%	3.80%

## Three Rivers Regional Library System

### Notes to Financial Statements

#### NOTE 4 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2015 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2015:

FRS: No changes in key actuarial assumptions.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 4.29% to 3.80%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.2%	3.1%
Fixed income	18%	4.8%	4.7%
Global equity	53%	8.5%	7.2%
Real estate (property)	10%	6.8%	6.2%
Private equity	6%	11.9%	8.2%
Strategic investments	<u>12%</u>	6.7%	6.1%
	<u>100%</u>		

#### **Discount Rate**

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.65%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

## Three Rivers Regional Library System

### Notes to Financial Statements

#### NOTE 4 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.80% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

#### *Sensitivity Analysis*

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the System’s proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS			HIS		
	Current Discount			Current Discount		
	1% Decrease (6.65%)	Rate (7.65%)	1% Increase (8.65%)	1% Decrease (2.80%)	Rate (3.80%)	1% Increase (4.80%)
Employer's proportionate share of the net pension liability	\$ 103,886	\$ 40,091	\$ (12,996)	\$ 47,753	\$ 41,909	\$ 37,035

#### *Pension Plans’ Fiduciary Net Position*

Detailed information about the pension plans’ fiduciary net position is available in the State’s separately issued financial reports.

#### *Defined Contribution Plan*

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (“FRS Investment Plan”), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. There were no employees participating in the defined contribution plan during the year ended September 30, 2015.

**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 self-insured plan.

*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 receive 100% premium subsidy 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 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 – ACCOUNTS RECEIVABLE

Accounts receivable includes \$6,705 representing future reimbursement for tuition previously granted to a former employee. The repayment agreement calls for interest-free annual payments as follows:

Year ending September 30,	Amount
2016	\$ 2,820
2017	2,820
2018	1,065
Total	\$ 6,705

#### NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLE

The System restated the beginning net position of the governmental activities to implement the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net position - beginning of year, as previously reported	\$ 430,216
Restatement:	
Net pension liability	(60,204)
Deferred outflows for employer contributions made subsequent to the measurement date	2,416
Deferred outflows other than employer contributions subsequent to the measurement date	5,010
Deferred inflows	(40,298)
Net position - beginning of year, as restated	\$ 337,140

#### NOTE 9 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

- Fair Value
- OPEB
- GAAP Hierarchy
- Tax Abatement Disclosures
- External Investment Pools
- Blending certain Component Units
- Split – Interest Agreements

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental:				
State Aid to Libraries Grant	\$ 333,675	\$ 333,675	\$ 337,130	\$ 3,455
Dixie County	23,000	23,000	23,000	-
Gilchrist County	19,000	19,000	19,000	-
Lafayette County	20,000	20,000	20,000	-
Taylor County	30,000	30,000	30,000	-
Total intergovernmental	425,675	425,675	429,130	3,455
Miscellaneous	800	800	866	66
Total revenues	426,475	426,475	429,996	3,521
<b>Expenditures</b>				
Culture/recreation:				
Personal services	169,527	169,527	166,638	2,889
Operating expenditures	179,561	179,561	135,599	43,962
Books and publications	93,200	93,200	87,963	5,237
Capital outlay	369,977	369,977	-	369,977
Reserve for contingencies	20,000	20,000	-	20,000
Total expenditures	832,265	832,265	390,200	442,065
<b>Excess of revenues over (under)</b>				
<b>expenditures</b>	(405,790)	(405,790)	39,796	445,586
<b>Fund balances – October 1, 2014</b>	405,790	405,790	402,375	(3,415)
<b>Fund balances – September 30, 2015</b>	\$ -	\$ -	\$ 442,171	\$ 442,171

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.

**Three Rivers Regional Library System**

**Schedules of Proportionate Share of Net Pension Liability  
Last 10 Fiscal Years (1)**

<b>Florida Retirement System</b>	<b>2015</b>
Employer's proportion of the net pension liability (asset)	0.0003%
Employer's proportionate share of the net pension liability (asset)	\$ 40,091
Employer's covered-employee payroll (2)	\$ 124,674
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.16%
Plan fiduciary net position as a percentage of the total pension liability	92.00%
<b>Health Insurance Subsidy Program</b>	<b>2015</b>
Employer's proportion of the net pension liability (asset)	0.0004%
Employer's proportionate share of the net pension liability (asset)	\$ 41,909
Employer's covered-employee payroll (2)	\$ 124,674
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.61%
Plan fiduciary net position as a percentage of the total pension liability	0.50%

**Notes to schedules:**

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

**Three Rivers Regional Library System**

**Schedules of Employer Contributions  
Last 10 Fiscal Years**

<b>Florida Retirement System</b>	<b>2015</b>
Contractually required contribution	\$ 7,251
Contributions in relation to the contractually required contribution	7,251
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>
Employer's covered-employee payroll (1)	\$ 121,989
Contributions as a percentage of covered-employee payroll	5.94%

<b>Health Insurance Subsidy Program</b>	<b>2015</b>
Contractually required contribution	\$ 1,658
Contributions in relation to the contractually required contribution	1,658
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>
Employer's covered-employee payroll (1)	\$ 121,989
Contributions as a percentage of covered-employee payroll	1.36%

**Notes to schedules:**

(1) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

## **Supplementary Information**



## Three Rivers Regional Library System

### Schedule of Financial Assistance Year ended September 30, 2015

<b>State Awards</b>	CSFA Number	ID Number	Expenditures
Department of State and Secretary of State:			
State Aid to Libraries	45.030	14-ST-87	\$ 337,130
Total expenditures of state financial assistance			\$ 337,130

#### 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, 2015, and have issued our report thereon dated August 03, 2016.

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(8). 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, 2015.

***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 State of Florida 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.

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

Gainesville, Florida  
August 03, 2016

## INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

To the Library Board  
Three Rivers Regional Library System

We have examined the Three Rivers Regional Library System's (the "System") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the System's compliance with those requirements. Our responsibility is to express an opinion on the System's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the System's compliance with specified requirements.

In our opinion, the System complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

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

Gainesville, Florida  
August 03, 2016

**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, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated August 03, 2016.

***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

August 03, 2016