

To: Amanda Hale, Finance Director

From: Shelly Shropshire, Director

Date: March 17, 2025

RE: Request for Budget FY 2025 2026

The Hamblen County Library Board of Trustees requests a **total appropriation of \$416,000** from Hamblen County:

- \$386,000 for operations and an additional
- \$30,000 for one-time capital expenditures.

We are asking the City of Morristown for the same amount for FY 2025 2026.

The Hamblen County Library Board of Trustees requests a contribution of the *two listed items below*:

Appropriation request includes the following:

- 1. Salary survey increase and a 3% raise for employees who do not qualify for salary survey increases: total increase salary and benefits is 4.7%.
- 2. 4.6% increase to improve the purchase of materials requested by patrons while moving toward the goal of 15% of local appropriations for materials budget as suggested in the 2025 Tennessee Standards for Public Libraries.
- 3. Increase funds to cover the gas sur-charge and shipping increases for programming and supplies and utilities and telecommunication costs. (\$7,700).

Total Appropriation request: \$ 386,000 – City \$ 386,000 – County

One-time Capital Expenses:

1: Re-roofing the shingles of the Library - estimate of \$57,250.

2: Re-striping the parking lot of the Library – approximately \$2,500.

Total One-time requests: \$ 30,000 – City \$ 30,000 - County

Note: The Library will seek bids for re-roofing the library.

The Morristown-Hamblen Library provides free access to information, through print and nonprint materials, by one-on-one training for multiple personal devices, educational programming for all ages, access to technology, and meeting and study rooms for patrons and businesses. The Library is open 56 hours a week. As of June 2024, the Library had 84,050 visits, provided a check out total of 208,244 physical materials, a circulation of 77,252 electronic materials, and access to 83 licensed databases. Because of the annual appropriations from the City and County, the Library has proven to be a precious commodity for all citizens.

| Current Budget Proposed Budget \$ Amt % Amt Nc Revenue | | | FY 2024 2025 | FY 2025-26 | | Change | 9 | |
|---|-----|--|--------------|-----------------|----|---------|-----------|-------|
| Revenue Image: Sign of the | | | Current | | | | | |
| Hamblen County Appropriation Income \$360,000 \$386,000 \$26,000 7.22% City of Morristown Appropriation Income \$360,000 \$386,000 \$26,000 7.22% Copier/Printer \$10,000 \$10,000 \$ - 0.00% Other and Lost Materials \$4,000 \$4,000 \$ - 0.00% Community Room Fees \$9,100 \$ - 0.00% - 0.00% Hotspot Fees \$107,500 \$105,000 \$ (2,500) -2.33% Other Income - | | | Budget | Proposed Budget | | \$ Amt | % Amt | Notes |
| City of Morristown Appropriation Income \$360,000 \$386,000 \$26,000 7.22% Copier/Printer \$10,000 \$10,000 \$ - 0.00% Other and Lost Materials \$4,000 \$4,000 \$ - 0.00% Community Room Fees \$9,100 \$ - 0.00% Hotspot Fees \$107,500 \$105,000 \$ (2,500) -2.33% Other Income - < | | | 40.00 | 4000.000 | | | 7 0 0 0 (| 1 |
| Copier/Printer \$10,000 \$10,000 \$ 0.00% Other and Lost Materials \$4,000 \$4,000 \$ 0.00% Community Room Fees \$9,100 \$9,100 \$ 0.00% Hotspot Fees \$107,500 \$105,000 \$ 0.00% Oher-Income 0 One-Time Capital Request County \$0 \$30,000 \$ 30,000 0 One-Time Capital Request City \$0 \$30,000 \$ 30,000 0 Reserves 223.80% Reserves 23.80% \$ 30,000 0 Reserves 23.80% \$ 30,000 \$ 23.80% \$ Iterains Expense \$ \$ \$ 10.77% \$ \$ 0.00% \$ 3.000 \$ 3.000 \$ 3.000 \$ 23.80% \$ <t< td=""><td></td><td></td><td></td><td></td><td></td><td>-</td><td></td><td>1</td></t<> | | | | | | - | | 1 |
| Other and Lost Materials \$4,000 \$4,000 \$ 0.00% Community Room Fees \$9,100 \$9,100 \$ 0.00% Hotspot Fees \$107,500 \$105,000 \$ (2,500) -2.33% Other Income 0 One-Time Capital Request County \$0 \$30,000 \$ 30,000 0 Reserves -23.80% Budgeted from Library Unrestricted Fund Balance \$26,300 \$0,000 \$ 0.00% Total Revenue \$876,900 \$980,140 \$ 103,240 11.77% Expense -0.00% \$ Materials Expense \$12,500 \$1,000 \$4.62% \$ 0.00% Electronic Database Expense \$12,500 \$1,000 \$3,000 \$4.62% \$ Maintenance Expense \$23,000 \$24,000 \$1,000 \$3.30% \$ 0.00% Library Program | | | | | | 26,000 | | 1 |
| Community Room Fees \$9,100 \$9,100 \$9,100 \$ - 0.00% Hotspot Fees \$107,500 \$105,000 \$ (2,500) -2.33% Other Income - 0.00% * - 0.00% * - 0.00% * - 0.00% * - - - - - 0.00% * - 0.00% * - 0.00% * - 0.00% * - 0.00% * - 0.00% * - <td< td=""><td></td><td></td><td></td><td></td><td></td><td>-</td><td>0.00%</td><td></td></td<> | | | | | | - | 0.00% | |
| Hotspot Fees \$107,500 \$105,000 \$ (2,500) -2.33% Other Income | | Other and Lost Materials | | | | - | 0.00% | |
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| One-Time Capital Request County \$0 \$30,000 \$ 30,000 0 One-Time Capital Request City \$0 \$30,000 \$ 30,000 0 Reserves 0 <td></td> <td>Hotspot Fees</td> <td>\$107,500</td> <td>\$105,000</td> <td>\$</td> <td>(2,500)</td> <td>-2.33%</td> <td>2</td> | | Hotspot Fees | \$107,500 | \$105,000 | \$ | (2,500) | -2.33% | 2 |
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| Budgeted from Library Unrestricted Fund Balance \$26,300 20,040 \$ (6,260) -23.80% Total Revenue \$876,900 \$980,140 \$ 103,240 11.77% Expense Materials Expense \$65,000 \$68,000 \$ 3,000 4.62% Electronic Database Expense \$12,500 \$ - 0.00% Maintenance Expense \$22,200 \$27,200 \$ 6,000 28.30% Supplies \$23,000 \$24,000 \$ 1,000 4.35% Library Program Expense \$3,000 \$7,100 \$ 2,100 42.00% Dues and Training Expense \$3,300 \$ - 0.00% Account/Banccard Service Charge \$3,300 \$ - 0.00% Its Circulation Program \$5,500 \$ 5,500 \$ - 0.00% ** Gross Wages \$476,900 \$496,740 \$ 19,840 4.16% ** Employee Benefits \$143,600 \$151,300 \$ 7,700 5.36% Utilities Expense \$30,000 \$31,500 <t< td=""><td>Res</td><td>serves</td><td></td><td></td><td></td><td></td><td></td><td>-</td></t<> | Res | serves | | | | | | - |
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| Maintenance Expense \$21,200 \$27,200 \$6,000 28.30% Supplies \$23,000 \$24,000 \$1,000 4.35% Library Program Expenses (children, teen, adult) \$5,000 \$7,100 \$2,100 42.00% Dues and Training Expense \$3,000 \$7,100 \$2,100 42.00% Account/Banccard Service Charge \$3,300 \$3,300 \$- 0.00% Audit Expense \$6,800 \$6,800 \$- 0.00% Insurance Expense \$21,000 \$21,000 \$- 0.00% ILS Circulation Program \$55,500 \$ - 0.00% ** Gross Wages \$4476,900 \$4496,740 \$19,840 4.16% ** Employee Benefits \$143,600 \$151,300 \$7,700 5.36% Utilities Expense \$30,000 \$31,500 \$1,500 5.00% Telecommunications Expense \$31,100 \$6,200 \$3,100 100.00% Hotspot Expense \$56,000 \$55,000 \$(1,000) -1.79% | | Materials Expense | \$65,000 | \$68,000 | \$ | 3,000 | 4.62% | 3 |
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| Library Program Expenses (children, teen, adult) \$5,000 \$7,100 \$2,100 42.00% Dues and Training Expense \$3,000 \$3,000 \$ - 0.00% Account/Banccard Service Charge \$3,300 \$3,300 \$ - 0.00% Audit Expense \$6,800 \$6,800 \$ - 0.00% Insurance Expense \$6,800 \$6,800 \$ - 0.00% ILS Circulation Program \$5,500 \$5,500 \$ - 0.00% ** Gross Wages \$476,900 \$496,740 \$ 19,840 4.16% *** Employee Benefits \$143,600 \$151,300 \$ 7,700 5.36% Utilities Expense \$30,000 \$31,500 \$ 1,500 5.00% Hotspot Expense \$3,100 \$6,200 \$ 1,000 -1.79% Other Expenses \$ \$1,000 \$1,000 -1.79% 0.00% | | Maintenance Expense | \$21,200 | \$27,200 | \$ | 6,000 | 28.30% | 4 |
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| Account/Banccard Service Charge \$3,300 \$3,300 \$ - 0.00% Audit Expense \$6,800 \$6,800 \$ - 0.00% Insurance Expense \$21,000 \$ - 0.00% ILS Circulation Program \$5,500 \$ - 0.00% *** Gross Wages \$476,900 \$496,740 \$ 19,840 4.16% *** Employee Benefits \$143,600 \$151,300 \$ 7,700 5.36% Utilities Expense \$30,000 \$31,500 \$ 1,500 5.00% Telecommunications Expense \$3,100 \$6,200 \$ 3,100 100.00% Hotspot Expense \$56,000 \$55,000 \$ (1,000) -1.79% Advertising \$1,000 \$1,000 \$ 0.00% \$ 1,000 | | Library Program Expenses (children, teen, adult) | \$5,000 | \$7,100 | \$ | 2,100 | 42.00% | 6 |
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| ILS Circulation Program \$5,500 \$5,500 \$ 0.00% *** Gross Wages \$476,900 \$496,740 \$19,840 4.16% *** Employee Benefits \$143,600 \$151,300 \$7,700 5.36% Utilities Expense \$30,000 \$31,500 \$1,500 5.00% Telecommunications Expense \$3,100 \$6,200 \$3,100 100.00% Hotspot Expense \$56,000 \$55,000 \$(1,000) -1.79% Other Expenses \$1,000 \$1,000 \$0.00% | | Audit Expense | \$6,800 | \$6,800 | \$ | - | 0.00% | 7 |
| *** Gross Wages \$476,900 \$496,740 \$19,840 4.16% *** Employee Benefits \$143,600 \$151,300 \$7,700 5.36% Utilities Expense \$30,000 \$31,500 \$1,500 5.00% Telecommunications Expense \$3,100 \$6,200 \$3,100 100.00% Hotspot Expense \$56,000 \$55,000 \$(1,000) -1.79% Other Expenses \$1,000 \$1,000 \$0.00% | | Insurance Expense | \$21,000 | \$21,000 | \$ | - | 0.00% | |
| *** Employee Benefits \$143,600 \$151,300 \$7,700 5.36% Utilities Expense \$30,000 \$31,500 \$1,500 5.00% Telecommunications Expense \$3,100 \$6,200 \$3,100 100.00% Hotspot Expense \$56,000 \$55,000 \$(1,000) -1.79% Other Expenses \$1,000 \$1,000 \$(1,000) -1.79% | | ILS Circulation Program | \$5,500 | \$5,500 | \$ | - | 0.00% | |
| Utilities Expense \$30,000 \$31,500 \$1,500 5.00% Telecommunications Expense \$3,100 \$6,200 \$3,100 100.00% Hotspot Expense \$56,000 \$55,000 \$(1,000) -1.79% Other Expenses \$1,000 \$1,000 \$0.00% | ** | Gross Wages | \$476,900 | \$496,740 | \$ | 19,840 | 4.16% | 8 |
| Utilities Expense \$30,000 \$31,500 \$1,500 5.00% Telecommunications Expense \$3,100 \$6,200 \$3,100 100.00% Hotspot Expense \$56,000 \$55,000 \$(1,000) -1.79% Other Expenses \$1,000 \$1,000 \$(1,000) -1.79% Advertising \$1,000 \$1,000 \$(1,000) 0.00% | ** | Employee Benefits | \$143,600 | \$151,300 | \$ | 7,700 | 5.36% | 8 |
| Telecommunications Expense \$3,100 \$6,200 \$3,100 100.00% Hotspot Expense \$56,000 \$55,000 \$ (1,000) -1.79% Other Expenses Advertising \$1,000 \$1,000 \$1,000 \$0.00% | | Utilities Expense | \$30,000 | \$31,500 | \$ | 1,500 | 5.00% | |
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| Other Expenses \$1,000 \$1,000 \$1,000 \$0.00% | | | | | | | | 9 |
| Advertising \$1,000 \$1,000 0.00% | ٥÷٢ | | | | | | | |
| | | • | \$1.000 | ¢1 000 | | | 0 00% | |
| | | | | | Ś | 60 000 | 0.0076 | 10 |
| Total Expense \$876,900 \$980,140 \$103,240 11.77% | | • • | | | Ļ | | 44 770/ | |

| | Morristown-Hamblen Library Budget | | | | | | | | |
|----|---|--------------------|------------------------|----------------------|---------------|-----------|--|--|--|
| | NOTES Budget 25 26 | | | | | | | | |
| No | Notes to Board | | | | | | | | |
| 1 | Increase in appropriations equalling \$52,000 divided | equally between | County and City to co | ver salary survey i | ncreases an | d other | | | |
| | increases and decrease in income due to competition home hotspot contracts in the area. | | | | | | | | |
| 2 | Hotspot checkouts have declined in the past year low | ering our income | and expenses. | | | | | | |
| 3 | The Library needs to increase book budget to compa | ire to State Stand | lard suggestions and | to accommodate | for increas | e gas | | | |
| | surcharges and shipping costs. (10% of local revenue | • | | | | | | | |
| 4 | The increase of \$6,000 to cover unexpected service ar | nd replacement p | arts of aging equipme | ent and to add rou | itine cleanin | g of | | | |
| | windows and carpeting. | | | | | | | | |
| 5 | Increase of \$1,000 to cover shipping for some suppli | es that no long h | ave free shipping. | | | | | | |
| 6 | Program costs should become a part of the regular bu | udget. Friends of | the Library raise fund | ds through book so | ales and the | income | | | |
| | has declined some over the last year. The Library dep | ends onf matchin | g grant funds from F | riends varing in ar | nounts up te | o \$6,000 | | | |
| | or more each year. | | | | | | | | |
| 7 | Audit is \$6,800 for this FY. \$1,000 for Imagination Lib | prary and \$5,800 | for Library. | | | | | | |
| 8 | Increase includes salary survey increases and 3% sal this time. | ary increase for t | hose who were not e | eligible for salary | survey incre | eases at | | | |
| 9 | Hotspot checkouts have declined in the past year lowe | ering our income | and expenses. | | | | | | |
| 10 | Roof estimate from Morristown roofing - replace shin | gles \$57,000.00. | Estimated Restriping | g parking lot \$2,50 | 0. | | | | |
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MORRISTOWN-HAMBLEN LIBRARY

FINANCIAL STATEMENTS

Year Ended June 30, 2024

MORRISTOWN-HAMBLEN LIBRARY TABLE OF CONTENTS

| Page | |
|---|--|
| ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS (UNAUDITED)1 | |
| INDEPENDENT AUDITOR'S REPORT2 | |
| FINANCIAL STATEMENTS | |
| Statement of Net Position5 | |
| Statement of Activities | |
| Governmental Funds - Balance Sheet7 | |
| Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances8 | |
| Governmental Funds - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | |
| Notes to Financial Statements10 | |
| 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 | |
| SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS | |

MORRISTOWN-HAMBLEN LIBRARY ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS (UNAUDITED)

Roxanne Bowen, Chairman Morristown, Tennessee

Rob Reel, Vice-Chairman Whitesburg, Tennessee

Kevin Smith, Treasurer Morristown, Tennessee

Christy Cowan, Secretary Morristown, Tennessee

Stan Harville Morristown, Tennessee

Devin Edwards Morristown, Tennessee

Phyllis Ehresman Talbott, Tennessee

Amanda Hale Morristown, Tennessee

Terri Tilson Morristown, Tennessee

Al A'Hearn Morristown, Tennessee

Darlene Smith Morristown, Tennessee

Shelly Shropshire, Director Morristown, Tennessee Purkey, Carter, Compton, Swann & Carter, PLLC

Certified Public Accountants

2335 W. Andrew Johnson Highway P. O. Box 727 Morristown, Tennessee 37815 Telephone (423) 586-4850 FAX (423) 581-8873 www.pccsc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees Morristown-Hamblen Library Morristown, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Morristown-Hamblen Library (the Library), as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Morristown-Hamblen Library as of June 30, 2024, and the respective changes in financial position and fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Morristown-Hamblen Library and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Morristown-Hamblen Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Trustees Morristown-Hamblen Library Page Two

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Morristown-Hamblen Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Morristown-Hamblen Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

To the Board of Trustees Morristown-Hamblen Library Page Three

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of board members and management officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2025, on our consideration of Morristown-Hamblen Library'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 solely 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 effectiveness of the Library's 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 Morristown-Hamblen Library's internal control over financial reporting and compliance.

Purkey, Carter, Compton, Swann & Carter, PLLC

Morristown, Tennessee February 19, 2025

MORRISTOWN-HAMBLEN LIBRARY STATEMENT OF NET POSITION June 30, 2024

| | Governmental Activities |
|--|--|
| Assets Cash Grant receivable Prepaid expenses Capital assets, not depreciated Other capital assets, net of accumulated depreciation | \$ 372,363 7,825 3,321 189,400 833,599 |
| Total Assets | <u>\$ 1,406,508</u> |
| Liabilities Accounts payable Accrued labor and benefits Deferred revenue Total Liabilities | \$ 31,613 45,709 20,000 97,322 |
| Net Position Investment in capital assets Restricted, expendable, for donor purposes Unrestricted | 1,022,999 117,057 169,130 |
| Total Net Position | 1,309,186 |
| Total Liabilities and Net Position | <u>\$ 1,406,508</u> |

MORRISTOWN-HAMBLEN LIBRARY STATEMENT OF ACTIVITIES Year Ended June 30, 2024

| | | PR | OGRAM REVEN | UES | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |
|---|------------|-------------|---------------|---------------|--|
| | | | Operating | Capital | |
| | _ | Charges for | Grants and | Grants and | Governmental |
| Functions/ Programs | Expenses | Services | Contributions | Contributions | Activities |
| Governmental Activities | | | | | |
| General Government | \$ 936,204 | \$ 129,641 | | \$ 12,630 | · · · · · · · · · · · · · · · · · · · |
| Imagination Library | 37,536 | | 28,996 | 4,400 | (4,140) |
| | | | | | |
| Total Governmental Activities | 973,740 | 129,641 | 733,297 | 17,030 | (93,772) |
| Total General Revenues | | | | | 4,569 |
| Loss on Disposal of Capital Assets | | | | | (478) |
| Change in Net Position | | | | | (89,681) |
| Net Position - Beginning of Fiscal Year | | | | | 1,398,867 |
| Net Position - End of Fiscal Year | | | | | <u>\$ 1,309,186</u> |

MORRISTOWN-HAMBLEN LIBRARY GOVERNMENTAL FUNDS BALANCE SHEET June 30, 2024

| | (| General Fund | F | l Revenue und - gination ary Fund | Gov | Total vernmental Funds |
|---|--------|---------------------------------|----|--|-----|---------------------------------------|
| Assets Cash Grant receivable Prepaid expenses | \$ | 259,421 7,825 1,308 | \$ | 112,942 - 2,013 | \$ | 372,363 7,825 3,321 |
| Total Assets | \$ | 268,554 | \$ | 114,955 | \$ | 383,509 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities Accounts payable Accrued labor and benefits Deferred revenue Total Liabilities | \$ | 31,613 45,709 - 77,322 | \$ | 20,000 | \$ | 31,613 45,709 20,000 97,322 |
| | | 11,522 | | 20,000 | | 97,322 |
| Fund Balances Nonspendable Restricted for Imagination Library Restricted, expendable, for donor purposes Unassigned | | 9,133 - 24,115 157,984 | | 2,013 92,942 - - | | 11,146 92,942 24,115 157,984 |
| Total Fund Balance | | 191,232 | | 94,955 | | 286,187 |
| Total Liabilities and Fund Balances | \$ | 268,554 | \$ | 114,955 | | |
| Amounts reported for governmental activitie | s in t | he Stateme | nt | | | |

of Net Position are different because:

| Capital assets used in governmental activities are not financial | |
|--|-----------|
| resources and, therefore, are not reported in the funds | 1,022,999 |

\$ 1,309,186

Net Position of Governmental Activities

MORRISTOWN-HAMBLEN LIBRARY GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Year Ended June 30, 2024

| | General Fund | Special Revenue Fund - Imagination Library Fund | e Total Governmental Funds |
|--|------------------------------|--|-------------------------------------|
| Revenues Local government appropriations State and other grants Fines and charges | \$ 671,40 12,63 129,64 | 0 - | \$ 681,400 12,630 129,641 |
| Donations and memorials Fundraisers Contribution of nonfinancial assets | 32,90 4,56 | 1 18,996 | 51,897 4,569 4,400 |
| Total Revenues | 851,14 | 1 33,396 | 884,537 |
| Expenditures Library services | | | |
| Labor and benefits | 556,25 | 9 - | 556,259 |
| Periodicals | 29,59 | 7 - | 29,597 |
| Utilities | 27,80 | 3 - | 27,803 |
| Repairs and maintenance | 47,27 | 4 - | 47,274 |
| Supplies | 23,95 | 7 36,475 | 60,432 |
| Insurance | 17,61 | 0 1,061 | 18,671 |
| Telephone and internet | 59,31 | 5 - | 59,315 |
| Computer upgrade and maintenance | 6,74 | 0 - | 6,740 |
| Professional services | 8,66 | 2 - | 8,662 |
| Travel, training and dues | 1,97 | 9 - | 1,979 |
| Advertising | 55 | 4 - | 554 |
| Miscellaneous | 15,53 | 3 - | 15,533 |
| Capital outlay | | | |
| Building and equipment | 22,97 | 4 4,400 | 27,374 |
| Circulation materials | 39,04 | 6 | 39,046 |
| Total Expenditures | 857,30 | 3 41,936 | 899,239 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (6,16 | 2) (8,540 |) (14,702) |
| Fund Balances, Beginning of Fiscal Year | 197,39 | 4 103,495 | 300,889 |
| Fund Balances, End of Fiscal Year | <u>\$ 191,23</u> | 2 <u>\$ 94,955</u> | <u>\$286,187</u> |

MORRISTOWN-HAMBLEN LIBRARY GOVERNMENTAL FUNDS RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2024

Amounts reported for governmental activities in the Statement of Activities are different because:

| Net Change in Fund Balances - Total Governmental Funds | \$ (14,702) |
|--|----------------|
| Loss on disposal of capital outlays | (478) |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$140,921) was exceeded by total capital | |
| outlay (\$66,420) in the current period. | (74,501) |
| Change in Net Position of Governmental Activities | \$ (89,681) |

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements present the activities of Morristown-Hamblen Library. The Morristown-Hamblen Library (the Library) is a joint venture of two equal participants, the City of Morristown and Hamblen County, Tennessee, created to provide public library service to the general public. The Library is financed primarily by appropriations from these entities. The Board of Trustees of Morristown-Hamblen Library consists of twelve members of which the Hamblen County Commission appoints eight members and the City of Morristown appoints four members. The Library's operating budget is adopted and controlled by its Board of Trustees without requiring the participants' approval. However, the participants have indirect control of the budget through the amount of annual appropriations.

Basis of Presentation

Government-wide Statements:

The statement of net position and the statement of activities display information about the Library and its overall financial activities.

Fund Financial Statements:

The fund financial statements provide information about the Library's funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. The operations of the Library are accounted for in one type of governmental fund, the General Fund, which is the general operating fund of the Library. It is used to account for the acquisition, use, and balances of the Library's expendable financial resources and the related liabilities.

The Imagination Library Fund is a special revenue fund of the Library. It accounts for all financial resources related to the Morristown-Hamblen Imagination Library.

Measurement Focus, 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. Grants are recognized as revenue as soon as all requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. Available means collectible within the current period or within 60 days after year end. Expenditures generally are recognized when the liability is incurred.

Capital Assets

Capital assets are reported in the governmental activities column of the government-wide statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair value at the date of donation. The Library maintains a capitalization threshold of \$2,500. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years. Books and other circulation materials with an estimated life greater than one year are capitalized and depreciated using a group depreciation method with lives ranging from 3 to 7 years.

Fund Balance

The Library's fund balance is reported using the following classifications:

Nonspendable items – this category includes items that cannot be spent because of their form. This includes such items as prepaid expenses and grants receivable.

Restricted items – this category includes fund balances that are limited by external parties for specific future use.

Assigned items – this category includes fund balances that contain constraints that are selfimposed by the board to be used for particular purposes.

Unassigned items – this category represents the remainder of the Library's fund balance that is not limited for any particular purpose.

When both restricted and unassigned funds are available for the same purpose, it is the Library's policy to use restricted funds first. Furthermore, assigned funds are reduced before unassigned funds when expenditures are incurred for which either of these unrestricted fund balance classifications can be used.

Net Position

Net position represents the residual of all elements presented in a statement of net position and is classified into three categories: net investment in capital assets, restricted and unrestricted. Net investment in capital assets are reduced by the outstanding balances, if any, of borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are external restrictions placed on use by donors or grantors. It is the Library's policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contract Labor

Labor for Library personnel is contracted with Hamblen County, Tennessee. Appropriate labor costs, payroll taxes, benefits, etc. are paid by the County and reimbursed by the Library.

Compensated Absences

Personnel of the Library are entitled to paid vacation depending on classification and length of service. At least one half of annual leave must be used each fiscal year with remaining unused time converted to sick leave. Vacation time may not be accumulated and carried forward to the next fiscal year. Accumulated sick leave has no value except for the purpose granted and in the event of separation, all unused sick leave will be forfeited.

Deposit and Investment Policies

Morristown-Hamblen Library follows state and county guidelines mandating collateralized or insured accounts for deposits and investments. The Library is included in Hamblen County government's contract with local financial institutions which requires that the institution be a participant in the State of Tennessee Bank Collateral Pool.

At June 30, 2024, the carrying amount of the Library's deposits were \$379,919 and were fully covered by FDIC and through the bank's participation in the Tennessee Collateral Pool.

Subsequent Events

Morristown-Hamblen Library evaluated subsequent events through February 19, 2025, the date the financial statements were available to be issued.

Revenue Recognition

The Library recognizes revenue when it satisfies a performance obligation by transfer of promised goods or services to patrons in an amount that depicts the consideration the Library expects to be entitled in exchange for those goods or services. Revenue is not recognized unless the contract has been approved, it identifies each party's rights, it identifies payment terms, it has commercial substance, and it is probable substantially all consideration will be collected by the Library. The Library has elected the practical expedients: (1) to account for contracts with similar characteristics as a portfolio of contracts rather than individually; (2) not to adjust the promised amount of consideration for the effects of significant financing component as it expects, at contract inception, that the period between when the Library transfers a promised good or service to a patron and when the patron pays for that good or service will be one year or less; (3) not to disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations related to contracts with an expected duration of less than one year.

When either party to a contract has performed, depending on the relationship between the Library's performance and the patron's payment, the Library presents a contract asset or contract liability on the statement of net position. The Library presents any unconditional rights to consideration separately on the statement of net position as a receivable.

The Library recognizes revenues from community room and hotspot rentals; copier and printer usage; late, damaged, and/or unreturned circulation materials, and fundraising events at a point in time upon transfer of the good or service.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are recorded as contributions and as an asset or expense at their estimated fair values at the date of donation. See Note I - Contributed Nonfinancial Assets for estimated fair values of donations made during the year ended June 30, 2024.

NOTE B - CAPITAL ASSETS

Changes in fixed assets for year ended June 30, 2024, were as follows:

| | Beginning <u>Balances</u> | Increases | Decreases | Ending <u>Balances</u> |
|---|------------------------------|------------------------------|--------------|---------------------------------------|
| Capital assets not being depreciated: Land Capital asset, not yet placed in service Total capital assets not being depreciated | \$ 185,000 185,000 | \$- <u>4,400</u> 4,400 | \$ - | \$ 185,000 <u>4,400</u> 189,400 |
| Capital assets being depreciated: | | | | |
| Building and improvements | 2,054,406 | 9,781 | - | 2,064,187 |
| Circulation materials | 799,958 | 39,047 | 28,016 | 810,989 |
| Furniture and equipment | 356,597 | 13,192 | 728 | 369,061 |
| Total capital assets being depreciated | 3,210,961 | 62,020 | 28,744 | 3,244,237 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,338,512 | 79,030 | - | 1,417,542 |
| Circulation materials | 650,151 | 44,791 | 28,016 | 666,926 |
| Furniture and equipment | 309,320 | 17,100 | 250 | 326,170 |
| Total accumulated depreciation | 2,297,983 | 140,921 | 28,266 | 2,410,638 |
| Total capital assets being | | | | |
| depreciated, net | 912,978 | <u>(78,901)</u> | 478 | 833,599 |
| Capital assets, net | <u>\$ 1,097,978</u> | <u>\$ (74,501</u>) | <u>\$478</u> | <u>\$ 1,022,999</u> |

NOTE C - RISK MANAGEMENT

Morristown-Hamblen Library is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to personnel and natural disasters. The Library purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the last three fiscal years.

NOTE D - RESTRICTED FUND BALANCE/RESTRICTED NET POSITION

The restricted fund balance and restricted net position of \$117,057 at June 30, 2024, consist of donor restricted contributions not yet spent for purpose.

NOTE E - NONSPENDABLE FUND BALANCE

The nonspendable fund balance of \$11,146 at June 30, 2024, consists of grant receivables and prepaid expenses.

NOTE F - EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION AND BETWEEN GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

The Library's fund balance and net change in fund balance differ from net position and change in net position primarily as a result of the long-term economic focus of the statement of net position and the statement of activities versus the current financial resources focus of governmental funds.

When capital assets are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Library as a whole.

When debt is incurred, proceeds are reported as financing revenue in governmental funds. In the statement of net position, however, debt incurred increases liabilities and does not affect the statement of activities.

| Nonspendable fund balance | \$ | 11,146 |
|------------------------------------|-----------|---------------------|
| Restricted fund balance | | 24,115 |
| Restricted for Imagination Library | | 92,942 |
| Unassigned fund balance | | 157,984 |
| Cost of capital assets | | 3,433,637 |
| Accumulated depreciation | | <u>(2,410,638</u>) |
| Total Net Position | <u>\$</u> | <u>1,309,186</u> |

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

When capital assets are acquired through financing activities, debt proceeds are reported as financing revenue in governmental funds. In government-wide statements, however, debt increases liabilities in the statement of net assets and does not affect the statement of activities. Likewise, repayment of principal is reported as an expenditure in governmental funds and a decrease in liabilities in the statement of net assets.

NOTE G - IMAGINATION LIBRARY FUND

The Imagination Library is a cooperative program through the Governor's Early Literacy Foundation, through which monthly free books are provided to children under the age of five that are enrolled in the program. Morristown-Hamblen Imagination Library Advisory Council (MHILAC) was formed in 2017. A Memorandum of Understanding between the Library and MHILAC was approved by the Library's Board of Directors in 2022. Funding for this program is not provided by the Library and will vary each year depending on community support. MHILAC receives direct funding support from the City of Morristown, Tennessee and Hamblen County, Tennessee for this program. In addition to these sources, donations are received from other organizations and the public.

NOTE H - REVENUE FROM CONTRACTS WITH PATRONS

Disclosure of Disaggregated Revenue

For the year ended June 30, 2024, revenues recognized from goods or services transferred to patrons at a point in time were \$131,065.

For the year ended June 30, 2024, there were no revenues recognized from goods or services transferred to patrons over time.

The Library's revenues, results of operations, and cash flows are affected by separate factors, including general economic conditions, geographical locations of patrons, and type of contract. Contracts with patrons are not typically considered long-term due to the structure of agreements.

Disclosure of Contract Assets, Contract Liabilities and Receivables

The Library had no contract assets, contract liabilities, or contract receivables from contracts with patrons at June 30, 2024 and 2023.

NOTE I - CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2024, contributed nonfinancial assets recognized within the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances included a book bus for Morristown-Hamblen Imagination Library in the amount of \$4,400, not yet placed in service.

Purkey, Carter, Compton, Swann & Carter, PLLC

Certified Public Accountants

2335 W. Andrew Johnson Highway P. O. Box 727 Morristown, Tennessee 37815 Telephone (423) 586-4850 FAX (423) 581-8873 www.pccsc.com

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 Board of Trustees Morristown-Hamblen Library Morristown, Tennessee

We have audited, in accordance with the 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 each major fund of Morristown-Hamblen Library, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Morristown-Hamblen Library's basic financial statements, and have issued our report thereon dated February 19, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morristown-Hamblen Library's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morristown-Hamblen Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Morristown-Hamblen Library'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 or significant deficiencies may exist that were not identified.

To the Board of Trustees Morristown-Hamblen Library Page Two

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morristown-Hamblen Library's financial statements are free from 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 financial statements. 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 Morristown-Hamblen Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morristown-Hamblen Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purkey, Carter, Compton, Swann & Carter, PLLC

Morristown, Tennessee February 19, 2025

MORRISTOWN-HAMBLEN LIBRARY SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS June 30, 2024

There were no prior findings reported.



FINANCE DEPARTMENT

February 11, 2025

Morristown-Hamblen Library Shelly Shropshire, Executive Director 417 West Main Street Morristown, TN 37814

We have begun the 2025-2026 budget process. In order to be considered for a contribution from Hamblen County, we are requesting certain information from your organization in accordance with Section 5-9-109, *Tennessee Code Annotated (TCA)*.

This year, we are requesting that your documents be submitted electronically to the Finance Department at the following email addresses:

Amanda Hale – <u>ahale@co.hamblen.tn.us</u> Dennis Fox – <u>dfox@co.hamblen.tn.us</u>

Please provide the following items <u>electronically</u>:

- proof of 501(c)(3), 501(c)(4), or 501(c)(6) IRS tax status,
 Please note this is a letter from the IRS, not a letter of sales tax exemption from the Tennessee Department of Revenue
- 2) your organization's most current audit or annual report detailing all receipts and expenditures, and
- 3) your organization's most current budget.

Please note that in accordance with State law, the above requested information must be submitted and on file. Noncompliance with this request may prevent your organization from receiving funds. Please understand that this letter does not guarantee that you will receive a contribution. Any contribution requires county commission approval. You may be asked to appear before the Budget Committee on Saturday, May 17, 2025, to explain your request. The Finance Department will notify you if the Budget Committee wants to hear from you.

Please return a copy of this letter along with the requested information above to the Hamblen County Mayor's office by Monday, March 17, 2025. If you have any questions, please feel free to contact me.

Sincerely,

Amanda Hale Hamblen County Finance Director

2024-2025 Contribution:

\$360,000

Amanda Hale, Finance Director

511 West Second North Street • Morristown, TN 37814 • offue. 423.586.1931 • fax. 423.585.4699 www.HamblenCountyTN.gov • email. ahale@co.hamblen.tn.us