

At long last (a decade long), the MVPL has an audited financial statement.

I believe it was posted to the MVPL website on May 28 or May 29, but the report is dated May 2.

<https://mountvernonpubliclibrary.org/library-financial-statements/>

Not surprisingly, the auditors did **not** give the library an “Unqualified Opinion”, commonly known as a “clean audit”. I’ve highlighted a couple of points that caught my attention.

From pages 1-2 of the auditor’s report:

Matters Giving Rise to the Qualified Opinions

As disclosed in Note 5 to the financial statements, Management has not recorded the following financial elements in the governmental activities section:

- Capital assets and the related depreciation expense
- Liabilities for compensated absences (such as accrued but unused employee leave)
- Other post-employment benefits (OPEB) (such as healthcare benefits for retired employees)
- Potential lease liabilities and subscription-based IT arrangements

Because these items have not been recorded, the Library has also not recognized the corresponding expense for changes in these liabilities during the current period.

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These omissions constitute departures from generally accepted accounting principles, which require all assets and liabilities to be recorded when they are not contingent on external events beyond the Library’s control. If these financial elements were properly recorded, it would likely:

- Increase total assets (by including capital assets)
- Increase or decrease total liabilities (by recognizing obligations for compensated absences and OPEB)
- Impact the Library’s net position, potentially altering its financial standing
- Affect reported revenues and expenses in the governmental activities section

In addition, we were unable to obtain sufficient appropriate audit evidence regarding the opening fund balances as of July 1, 2023. Because opening balances affect financial position and results of operations, we were unable to determine whether adjustments might be necessary for the Library’s fund balances, net position, or changes in financial position for the year ended June 30, 2024.

The amount by which these departures would affect the financial statements has not been determined but are estimated to be material and pervasive.

McDonough

Comment: When compensated absences are not recorded, it becomes significantly more challenging to detect potentially fraudulent activity, such as timesheet padding, where an employee reports working more hours than they did.

That last sentence is key. These “departures” are not minor errors they are serious problems that significantly impact the financial statement in a “pervasive” way that “has not been determined”, which makes this audited financial statement -*the only one the library has offered in the last decade*- unreliable as a source of information about library finances.

Considering this audit report, library trustees should be asked to clearly justify, on financial grounds, their pursuit of a \$1.7m bond to purchase a single-family home, which they would then convert into a children’s library at an unknown additional cost.

A public hearing is scheduled for Thursday, June 5, at the library from 6:30-8pm.