

**BOROUGH OF HARVEYS LAKE
AUDIT RESULTS
DECEMBER 31, 2023**

Prociak &
Associates, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Borough of Harveys Lake
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Required Communications

To the Borough Council
Borough of Harveys Lake

We have audited the combined financial statements of the Borough of Harveys Lake for the year ended December 31, 2023 and have issued our report thereon dated September 23, 2025. Professional standards require that we provide you with the following information related to our audit:

Area	Comments
<p>Auditors' Responsibilities Under United States Generally Accepted Auditing Standards and Government Auditing Standards</p> <p>In order for those charged with governance to understand the nature of assurance provided by an audit, the auditor should communicate their responsibilities under United States Generally Accepted Auditing Standards.</p>	<p>As stated in our engagement letter dated November 26, 2024, our responsibility as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the prescribed form required by the Pennsylvania Department of Community and Economic Development. Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Borough of Harveys Lake. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Borough of Harveys Lake's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.</p>
<p>Significant Auditing Findings</p> <p><i>Qualitative Aspects of Accounting Practices</i></p> <p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we will advise management about the appropriateness of accounting policies and their application.</p>	<p>The Borough's significant accounting policies are described in the notes to the financial statements. As part of our audit, we reviewed the accounting policies followed by management in preparing the financial statements. We believe the accounting policies of the Borough are consistent with industry practice and are in accordance with the prescribed form required by the Pennsylvania Department of Community and Environmental Development.</p>

No new accounting policies of significance were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Borough during 2023 for which there is a lack of authoritative guidance or consensus. In addition, we noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

There are no sensitive estimates in the financial statements.

Accounting estimates are an integral part of the consolidated financial statements that require management's judgments based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive due to their significance to the consolidated financial statements and the possibility that future events affecting them may differ significantly from management's expectations.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Appendix A, Summary of Audit Adjustments, summarizes misstatements detected as a result of audit procedures that were corrected by management.

Appendix B, Summary of Proposed but Unrecorded Journal Entries, summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both in individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report.

We are pleased to report that no such disagreements arose during the course of our audit.

Other Information in Documents Containing Audited Financial Statements

The auditor has a responsibility with respect to information in a document prepared by the Borough that contains the audited financial statements.

Our responsibility with respect to information in a document that contains the audited financial statements does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.

Planned Scope and Timing of the Audit

It is the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence. However, communication with those charged with governance may assist in understanding better the consequences of the auditor's work for their oversight activities.

We performed the audit according to the planned scope and timing previously communicated to you in our letter dated November 26, 2024.

Consultation with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the Borough's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

The auditor is required to inform those charged with governance of any major issues, including any discussions regarding the application of accounting principles or auditing standards that were discussed with management in connection with the initial or recurring retention of the auditor.

There were no such matters discussed with management prior to our initial or recurring retention as the Borough's auditors.

Difficulties Encountered in Performing the Audit

The auditor should inform those charged with governance of any difficulties encountered in dealing with management related to the performance and completion of the audit.

We encountered no significant difficulties in dealing with management in performing and completing our audit. Management of the Borough was readily available to provide all schedules and documents necessary to complete the audit.

Management Representations

The auditor is required to inform those charged with governance that certain representations are being requested from management in connection with the audit.

We have requested certain representations from management that are included in the management representation letter dated September 23, 2025.

This information is intended solely for the use of the Mayor, Borough Council, and management of the Borough and is not intended to be, and should not be, used by anyone other than these specified parties.

If you have any questions regarding the above, please do not hesitate to call.

Sincerely yours,

Prociak & Associates, LLC

Prociak & Associates, L.L.C.
Certified Public Accountants
Wilkes-Barre, Pennsylvania

Appendix A

The following are the resulting journal entries from the audit of the financial statements of the Borough of Harveys Lake as of December 31, 2023 and the year then ended:

GENERAL FUND

	<u>Account Number</u>	<u>Description</u>	<u>DR</u>	<u>CR</u>	<u>Net Income Effect</u>
(1)	105.70	Cash- Luzerne Police Donations	\$ 2,682.59		
	100.10	Cash- General Fund Luzerne		\$ 2,682.59	\$ -
		To record Police Donation account activity			
(2)	186.01	Garage Improvements	\$ 2,270.39		
	301.30	Garbage fee	\$ 1,537.68		
	310.20	Earned Income Tax		\$ 3,808.07	\$ 2,270.39
		To reclassify misposted garbage payments			
(3)	392.03	Refund Insurance Premiums	\$ 380.79		
	355.01	Utility tax rebate		\$ 380.79	\$ -
		To reclassify PURTA			
(4)	330.10	Court and state fines	\$ 45.28		
	301.02	RE Tax Delinquent	\$ 20.50		
	331.11	Luzerne Co. probation		\$ 65.78	\$ -
		To reclassify misposted probation fines			
(5)	301.00	RE Tax Current	\$ 2,469.31		
	310.10	Real Estate Transfer Tax	\$ 3,772.02		
	301.02	RE Tax Delinquent		\$ 6,241.33	\$ -
		To reclassify misposted transfer tax			
(6)	310.20	Earned Income tax	\$ 3,213.04		
	310.40	LST Taxes		\$ 3,213.04	\$ -
		To reclassify misposted LST			
(7)	212.00	EIT Withheld	\$ 1,175.94		
	219.00	LST W/H	\$ 200.40		
	217.00	PA income tax withheld	\$ 622.34		
	210.00	FED W/H		\$ 1,593.72	
	218.00	Unemployment withheld		\$ 204.01	
	483.16	Social Security		\$ 200.95	\$ 200.95
		To balance payroll withholdings			

Appendix A (cont'd)

	<u>Account Number</u>	<u>Description</u>	<u>DR</u>	<u>CR</u>	<u>Net Income Effect</u>
(8)	403.11	RE Tax Collector	\$ 5,648.50		
	404.01	Zoning officer	\$ 4,337.40		
	405.12	Salary- secretary	\$ 750.00		
	410.144	School resource officer	\$ 504.32		
	410.12	Salary- chief	\$ 1,792.64		
	430.10	Salary- foreman	\$ 450.00		
	430.11	Salary- roadmen	\$ 800.00		
	410.14	Salary- patrolmen	\$ 5,761.49		
	405.030	Other Misc. Expense	\$ 592.50		
	427.12	Trash credit collection fee		\$ 5,648.50	
	493.18	Employee Benefit- bonus		\$ 5,800.00	
	405.122	PT Admin		\$ 392.50	
	410.141	Salary- PT patrolmen		\$ 1,042.00	
	410.31	Hearings		\$ 820.45	
	404.18	Planning Secretary		\$ 100.00	
	483.16	Social Security		\$ 6,833.40	\$ -
		To reclassify payroll expense			
(9)	189.07	Leasehold Improvements	\$ 14,287.71		
	189.09	Generac Standby Generator	\$ 6,632.46		
	190.01	2023 Brush Cutter	\$ 14,225.75		
	190.02	2023 Salt Dogg Pro2000 Spreader	\$ 7,115.00		
	190.03	2023 Ford F-550	\$ 66,775.00		
	409.27	Covid Renovations		\$ 14,287.71	
	430.70	Capital Purchase		\$ 6,632.46	
	430.23	Vehicle Maintenance		\$ 14,225.75	
	181.01	Road Equipment		\$ 7,115.00	
	410.70	Equipment Purchase		\$ 66,775.00	\$ 101,920.92
		To capitalize asset additions			
(10)	362.20	Ins. Reimb. Police Vehicle	\$ 66,775.00		
	355.00	Intergovernmental Revenue	\$ 14,225.75		
	100.20	Cash- General Reserve	\$ 55,851.76		
	394.00	Miscellaneous Receipts	\$ 10,000.00		
	494.00	LSA Grant Expense		\$ 66,775.00	
	410.30	Other Police Expense		\$ 14,225.75	
	494.00	LSA Grant Expense		\$ 55,851.76	
	100.20	Cash- General Reserve		\$ 10,000.00	\$ 45,851.76
		To reverse erroneous transfer entries			
(11)	430.34	Repairs and maintenance	\$ 959.96		
	181.01	Road Equipment		\$ 959.96	\$ (959.96)
		To reclassify road equipment expenses			
(12)	355.10	Storm water management	\$ 1,600.00		
	355.99	Other grants	\$ 600.00		
	355.80	Liquor License		\$ 2,200.00	\$ -
		To reclassify misposted liquor license			

Appendix A (cont'd)

	<u>Account Number</u>	<u>Description</u>	<u>DR</u>	<u>CR</u>	<u>Net Income Effect</u>
(13)	430.72	Depreciation	\$ 50,092.75		
	187.051	A/D - 2018 Tar Buggy		\$ 1,322.57	
	188.011	A/D - 2017 Ford F550		\$ 12,082.63	
	189.011	A/D - 2018 Cub Cadet CC800		\$ 63.75	
	189.021	A/D - Skid steer		\$ 11,249.54	
	189.031	A/D - felling trailer dep		\$ 1,867.87	
	189.051	A/D - 2019 F-350 XL truck		\$ 7,102.71	
	190.011	A/D - 2023 Brush Cutter		\$ 2,032.25	
	190.021	A/D - 2023 Salt Dogg Pro2000 Spreader		\$ 1,016.43	
	190.031	A/D - 2023 Ford F-550		\$ 13,355.00	
	410.71	Equipment depr.	\$ 17,801.29		
	181.06	A/D Police dpt eq		\$ 682.94	
	187.031	A/D - security cam		\$ 149.06	
	187.041	A/D - 2017 Ford Explorer		\$ 3,663.13	
	189.041	A/D - Police speed minders		\$ 3,448.83	
	189.081	A/D- 2022 police F-150		\$ 9,857.33	
	404.71	Zoning depr	\$ 605.29		
	189.061	A/D - 2007 Nissan Pathfinder		\$ 605.29	
	410.72	Building depr.	\$ 33,755.81		
	187.021	A/D - Police bld		\$ 13,412.27	
	189.071	A/D- Leasehold improvements		\$ 20,343.54	
	409.71	Equipment depr.	\$ 947.49		
	189.091	A/D - Generac Standby Generator		\$ 947.49	\$ (103,202.63)
		To record depreciation			
(14)	270.00	Fund Balance General	\$ 25,476.00		
	427.45	Trash Contract Serv		\$ 25,476.00	\$ 25,476.00
		To reverse entry made through fund balance			
(15)	355.99	Other grants	\$ 2,938.40		
	355.18	Hydrilla Grant		\$ 2,938.40	\$ -
		To reclassify Hydrilla grant revenue			
(16)	355.55	DCED LSA Grants	\$ 42,837.00		
	249.00	Deferred Grant Funds		\$ 42,837.00	\$ (42,837.00)
		To defer BMCP Grant			
(17)	355.55	DCED LSA Grants	\$ 7,115.00		
	355.00	Intergovernmental Revenue		\$ 7,115.00	\$ -
		To reclassify BMCP Grant			
(18)	394.00	Miscellaneous Receipts	\$ 10,198.72		
	255.00	Renovation loan- Luzerne Bank		\$ 4,443.06	
	441.00	Interest		\$ 5,755.66	\$ (4,443.06)
		To balance Luzerne Bank loans to the confirmations			

Appendix A (cont'd)

	<u>Account Number</u>	<u>Description</u>	<u>DR</u>	<u>CR</u>	<u>Net Income Effect</u>
(19)	100.10	Cash- General Fund	\$ 67,838.18		
	310.20	Earned Income Tax	\$ 1,156.41		
	325.31	Zoning Permits	\$ 2,000.00		
	327.50	Fire Burning permits	\$ 80.00		
	325.32	SALDO Fees	\$ 250.00		
	355.18	Hydrilla Grant	\$ 29,376.96		
	430.23	Vehicle Maintenance		\$ 357.50	
	405.19	Accountant/Auditor		\$ 650.00	
	427.45	Trash Contract Serv		\$ 69,090.50	
	404.04	UCC Permit fees		\$ 18,356.00	
	441.00	Interest Tax Loan		\$ 4,251.19	
	255.00	Renovation Loan- Luzerne Bank		\$ 1,667.21	
	403.30	Tax Collection- Other		\$ 2,693.00	
	430.331	Garage Heating		\$ 2,344.15	
	486.01	Liability Insurance		\$ 1,292.00	\$ 66,170.97
		To remove voided checks from cash balance			
(20)	301.00	RE Tax Current	\$ 8,423.39		
	331.11	Luz. Co. Probation	\$ 409.16		
	355.10	Stormwater management	\$ 1,707.96		
	301.30	Garbage fee	\$ 4,086.34		
	310.10	Real Estate Transfer Tax		\$ 9,562.35	
	394.00	Miscellaneous Receipts		\$ 5,064.50	\$ -
		To balance revenue accounts			
(21)	430.23	Vehicle Maintenance	\$ 656.04		
	486.01	Liability Ins.	\$ 6,359.18		
	405.20	Office Supplies	\$ 4,213.72		
	427.45	Trash Contract Serv		\$ 11,228.94	\$ -
		To reclassify credit card charges posted to garbage expense			

Appendix B

There were no unrecorded proposed journal entries noted during the audit of the financial statements of the Borough of Harveys Lake as of December 31, 2023.

Appendix C

In planning and performing our audit of the financial statements of the Borough of Harveys Lake, (the Borough) as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weakness or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did identify the following deficiencies in the Borough of Harveys Lake's internal control to be material weaknesses:

Bank Account Reconciliation and Administration

During our review of the Borough's bank accounts, we noted the following:

- Several bank accounts were not reconciled to the general ledger on a monthly basis. The bank reconciliations were performed several months late.
- Voided checks were being deleted in QuickBooks instead of being voided, and physical copies of all voided checks were not retained at the Borough.
- Several old outstanding checks are being carried on the bank reconciliations.
- Voided checks and erroneous journal entries are being carried as outstanding items on the bank reconciliation and, therefore, the General Fund Checking account bank reconciliation register balance is understated by \$65,155.59.
- Transfers between accounts were not properly recorded on general ledger.

Strong internal controls over financial reporting and bank accounts include the timely preparation of bank reconciliations and proper reconciling and retention of voided checks.

We recommend controls over bank accounts be reviewed to ensure all accounts are reviewed and accurately reconciled to general ledger on a monthly basis. In addition, procedures for voided checks should be reviewed to ensure all voided checks are properly accounted for and retained.

Cash Receipts, Deposits, and Records

During our review of cash receipts, we noted the following:

- Numerous cash receipt deposit slips and/or deposit support, including customer garbage payments, could not be located.
- The general ledger contained an excessive amount of misclassifications of cash receipts and deposits.

Strong internal controls over financial reporting and the effectiveness and efficiency of operations include the retention of source documents for cash receipts.

We recommend management take the necessary steps to ensure all source documents for financial transactions are retained.

Budget

During our review of the approved budget, we noted a budget variance report, which compares actual to budgeted amounts, is not reviewed.

A well-rounded budget serves as a financial roadmap to assist the Borough in monitoring financial activity, controlling spending, and planning for unexpected occurrences. Expenditures should be controlled through periodic reviews of a budget variance report. Such monitoring of expenditures and revenue will enhance the control and measurement objectives inherent with a budgetary system.

We recommend the Borough Council carefully review the proposed budget prior to approval to ensure the income statement accounts are properly budgeted for. Additionally, we recommend Borough Council utilize the budget variance report as a monthly tool to manage revenue and expenses.

Cash Disbursement Records

During our review of cash disbursements, we noted the following:

- Supporting documentation, specifically invoices, for several cash disbursements selected for testing could not be located. In addition, several individual invoices for the charges on the BMO credit card were not retained.
- The 2023 BMO credit card charges were not individually classified in the general ledger during the year, but rather the entire amount of monthly purchases were classified to a single category.
- The general ledger contained an excessive amount of misclassifications of cash disbursements.
- Several invoices were paid twice.
- The general ledger contained inaccurate check descriptions, i.e., checks were written to a different vendor than what was reported in the Borough's financial records.

Strong internal controls over financial reporting and the effectiveness and efficiency of operations includes the review of all invoices prior to payment and the retention of supporting documentation for all payments. In addition, accurate financial reporting includes the proper and timely classification of all cash disbursements.

We recommend management review cash disbursement procedures to ensure all cash disbursements are reviewed and approved prior to payment, invoices are marked as paid once the payment is remitted to the vendor, and all supporting documents are retained. In addition, we recommend management ensure all disbursements are properly classified on a timely basis and that financial reports are reviewed on a monthly basis.

Payroll & Employee Benefits

During our review of payroll, we noted the following:

- One police officer was paid at a rate significantly lower than the signed police contract.
- Multiple timesheets were totaled incorrectly, resulting in employees being paid inaccurate wages.
- Multiple timesheets were not signed by the employee.
- The timeclock is not consistently used by employees but rather the time is hand-written on the timecards.
- The days listed on the compensated absence logs do not match the timesheets.
- There were instances of employees using more Paid Time-Off (PTO) than their allotted amount.
- Compensated absence logs for 2 employees were not retained and, therefore, could not be tested.
- Documentation was not retained regarding the approved Administrative and Department of Public Works wage rates for 2023.
- The 4 quarterly pension contribution reports were not retained.
- A former employee remained on the Borough's health insurance plan for 5 months after their termination.

Strong controls over payroll include a comprehensive policy and set of procedures to ensure compliance with laws and regulations. In addition, review and approval procedures are needed to prevent and detect errors and misappropriation of funds.

We recommend police officers be paid a wage rate in accordance with the signed police contract. Additionally, we recommend all timesheets be retained, signed by the employee and department supervisor, the hours listed on the timesheet be checked for accuracy prior to processing payroll, and compensated absence logs be reviewed monthly to ensure that paid time off is properly accounted for. We also recommend quarterly pension reports be filed timely and retained by the Borough. Finally, we recommend individuals be removed from the Borough's health insurance plans once their employment is terminated.

Grant Administration and Compliance

During our review of grant activity, we noted the following:

- Internal Controls over the administration of grant programs and compliance have not been implemented.
- Documentation was not retained regarding the Hydrilla project and an LSA project.
- As noted in the Liquid Fuels audit completed by the Commonwealth of Pennsylvania, the Borough failed to file their MS-965 report on time, resulting in the allocation of Liquid Fuels funds being delayed by multiple months.

Grant contracts require strong internal controls over grant administration and compliance. Non-compliance with grant contracts can jeopardize current and future grant funding.

We recommend the Borough review current procedures to determine changes needed to ensure grant programs are administered; compliance is monitored; supporting documentation is retained; all activity is properly recorded; and the necessary reports are filed on time.

Real Estate Taxes

During our review of real estate taxes, we noted all records related to the 2023 collection of County and Municipal real estate taxes were not retained.

Real estate taxes are the Borough's largest source of revenue and, therefore, require strong controls over record retention and compliance with County and municipal regulations.

We recommend the Borough tax collector retain all documents related to the collection of real estate taxes. Additionally, we recommend the Borough implement controls to ensure all documentation is retained and readily accessible.

Separation of Duties in the Accounting Department

Although the small size of the Borough's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

One of the most critical areas of separation is cash, where we noted that the bookkeeper is authorized to make journal entries, prepare deposits, disburse funds, and prepare the bank reconciliations. The result is the danger that intentional or unintentional errors could be made and not detected.

Presently, the general checking account bank reconciliations are performed by an outside accountant. However, the other accounts are reconciled by the Borough secretary. We recommend a member of Borough Council review all bank reconciliations on a monthly basis.

A significant deficiency is a deficiency, or 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. We consider the following deficiency in the Borough's internal control to be a significant deficiency:

Financial Statement Preparation

As is common in small organizations, the Borough's accounting department currently does not perform the following functions:

- Prepare its financial statements, complete with notes, in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Borough is unable to, and has not established internal controls over the preparation of financial statements.

Recently issued Statement on Auditing Standards AU-C265 requires that we report these deficiencies. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of AU-C265, to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the control deficiencies above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor. In other words, if an organization is not able to issue, without the auditors' involvement, complete financial statements with notes, in accordance with generally accepted accounting principles, and free of material misstatement, that inability is a symptom of significant deficiencies in internal control.

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying AU-C265's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under AU-C265. Accordingly, you may decide that curing the deficiencies described above would not be cost effective and take no action.

In addition, we noted other matters involving the internal control and its operations that we have reported to the management of the Borough in a separate letter dated September 23, 2025.

This information is intended solely for the use of the Mayor, Borough Council, and management of the Borough and is not intended to be and should not be used by anyone other than these specified parties.

September 23, 2025

Prociak & Associates, LLC

PROCIAK & ASSOCIATES, L.L.C.
Wilkes-Barre, Pennsylvania

