

**BOROUGH OF YOUNGSVILLE,
PENNSYLVANIA**

**REPORT ON PRIMARY
GOVERNMENT FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2025

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

To the Borough Council
Borough of Youngsville, Pennsylvania
Youngsville, Pennsylvania

Adverse and Unmodified Opinions

We have audited the financial statements of the governmental activities, business-type activities, and each fund of the ***Borough of Youngsville, Pennsylvania*** as of and for the year ended December 31, 2025, and the related notes to the financial statements which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, business-type activities and each fund of the ***Borough of Youngsville, Pennsylvania*** as of December 31, 2025, or the respective changes in financial position for the year then ended.

Unmodified Opinion on Modified Cash Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, and each fund of the ***Borough of Youngsville, Pennsylvania*** as of December 31, 2025, and the respective changes in financial position – modified cash basis, and where applicable, cash flows – modified cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis for Adverse Opinion and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 ***Borough of Youngsville, Pennsylvania*** and to meet our other ethical responsibilities, in accordance with the 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 adverse and unmodified audit opinions.

Matter Giving Rise to the Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 to the financial statements, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the differences between the modified cash basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management 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, 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 ***Borough of Youngsville, Pennsylvania'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.

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 opinions. 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 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, 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 **Borough of Youngsville, Pennsylvania'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 **Borough of Youngsville, Pennsylvania'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.

Disclaimer of Opinion on Certain Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-10), budgetary comparison information (pages 25-26), and pension plan information (page 27) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 13, 2026 on our consideration of the **Borough of Youngsville, Pennsylvania'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 effectiveness of the Borough'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 the **Borough of Youngsville, Pennsylvania's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
April 13, 2026**

I. Discussion and Analysis

The following is a discussion and analysis of the **Borough of Youngville, Pennsylvania's** financial performance for the year ended December 31, 2025. The section is a summary of the Borough's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. In the following paragraphs, the results of the current year are discussed in comparison with the prior year, with emphasis on the current year. The information provided in this analysis is reported on the modified cash basis of accounting. This section is only an introduction and should be read in conjunction with the Borough's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the **Borough of Youngville, Pennsylvania** during the year ended December 31, 2025:

- Overall net position of the Borough increased approximately \$178,000 during the year ended December 31, 2025. This consisted of an increase in governmental activities in the amount of approximately \$202,000 and a decrease of \$24,000 in the business-type activities.
- The Borough's total revenue was approximately \$2,177,000 during the year ended December 31, 2025, as compared with \$2,074,000 for the year ended December 31, 2024. This increase in revenue was primarily attributable to an increase in earned income taxes, capital sources, and charges for services.
- The Borough's total expenses were approximately \$1,999,000 during the year ended December 31, 2025, as compared with \$2,006,000 for the year ended December 31, 2024. This decrease was primarily related to a decrease in public safety and capital related expenses offset by an increase in public works costs.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the **Borough of Youngville, Pennsylvania**.

**III. Overview of the Financial Statements
(continued)**

**A. Reporting the Borough as a Whole
(Government-wide Financial Statements):**

The Government-wide statements report information about the Borough as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position – Modified cash basis

The Statement of Net Position (page 11) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the Borough. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents.

2. Statement of Activities – Modified cash basis

The Statement of Activities (page 12) shows amounts of program-specific and general Borough revenue used to support the various functions/programs.

The Statement of Net Position and Statement of Activities divide the activities of the Borough into two categories: governmental activities (the government functions/programs, including general government support, public safety, public works, etc.; property taxes, state and federal revenue usually support most of these functions/programs) and proprietary activities.

The two Government-wide statements report the Borough's net position and how they have changed. Net position – the difference between the Borough's assets and liabilities – is one way to measure the Borough's financial health or position. Over time, increases or decreases in the Borough's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the Borough's overall health, you need to consider additional non-financial factors such as changes in the Borough's property tax base and the condition of buildings and other facilities.

**III. Overview of the Financial Statements
(continued)**

B. Reporting the Borough's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the Borough's funds, focusing on its most significant or major funds – not the Borough as a whole. Funds are accounting devices the Borough uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the Borough's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The Borough has two kinds of funds:

1. Governmental Funds – Modified cash basis

Most of the Borough's basic services are included in governmental funds, which generally focus on cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs.

**III. Overview of the Financial Statements
(continued)**

B. Reporting the Borough's Most Significant Funds (Fund Financial Statements) (continued):

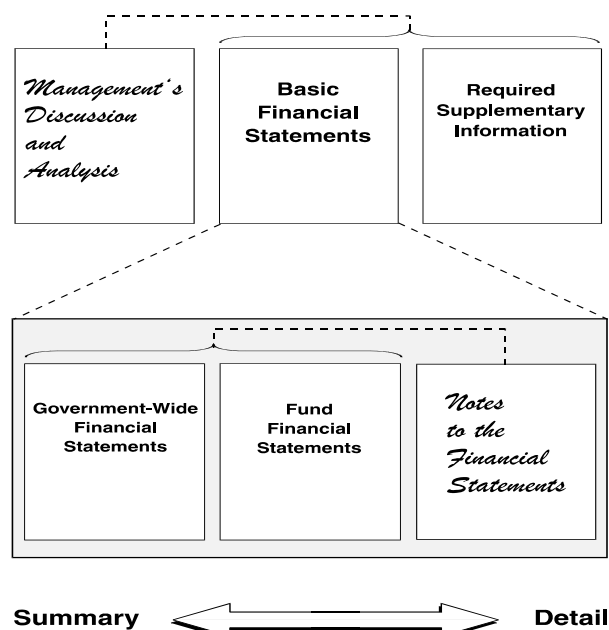
2. Proprietary (Enterprise) Funds - Modified cash basis

The Borough identifies certain business-type activities, each of which is individually considered an economic and accounting entity with self-balancing account practices. These proprietary funds are established to perform specific activities and or objectives in accordance with regulations, restrictions, or limitations. Financial statements on the proprietary funds provide separate information for each enterprise fund.

Figure A-1 - Major Features of the Government-Wide Statements and Fund Financial Statements

	Fund Financial Statements		
	Government-Wide	Governmental Funds	Proprietary Funds
Scope	Entire Borough	The activities of the Borough that are not proprietary (enterprising)	Instances in which the Borough administers resources into enterprising activities
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenditures, and Changes in Net Position Statement of Cash Flows
Accounting basis and measurement focus	Modified cash basis	Modified cash basis	Modified cash basis
Type of asset/liability information	Cash and cash equivalents, both restricted and unrestricted, and payroll withholdings	Cash and cash equivalents, both restricted and unrestricted, and payroll withholdings	Cash and cash equivalents, both restricted and unrestricted, and payroll withholdings
Type of inflow/outflow information	Any revenues and expenses during the year where cash has been received or paid	Any revenues and expenses during the year where cash has been received or paid	Any revenues and expenses during the year where cash has been received or paid

Figure A-2 - Required Components of the Borough's Annual Financial Report



IV. Financial Analysis of the Borough as a Whole

Net Position

The Borough's total reporting entity net position was \$2,414,000. The components of net position include: restricted net position, which was \$361,000 and unrestricted net position of \$2,053,000.

Changes in Net Position

The Borough's total government-wide change in net position increased by approximately \$178,000. Total revenue sources of the Borough were \$2,177,000, which increased approximately 5%. Approximately 46% and 41% of total revenue is derived from the charges for services and taxes, respectively.

The total cost of all programs and services of the Borough was \$1,999,000, which decreased approximately 0%. The Borough's expenses cover a range of services, with 9%, 18%, 15% and 15% related to capital outlay, public safety, public works and the sewer fund. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Figure A-3 – Condensed Statement of Net Position

Borough of Youngville, Pennsylvania									
Condensed Statement of Net Position (in thousands of dollars)									
	Governmental Activities			Business-type Activities			Total		
	2025	2024	% Change	2025	2024	% Change	2025	2024	% Change
Assets									
Cash and cash equivalents	\$ 2,350	\$ 2,171	8%	\$ 67	\$ 91	-26%	\$ 2,417	\$ 2,262	7%
Due from other funds	-	-	n/a	2	2	0%	2	2	-7%
Due from other governments	45	-	n/a	-	-	n/a	45	-	n/a
Total assets	\$ 2,395	\$ 2,171	10%	\$ 69	\$ 93	-25%	\$ 2,464	\$ 2,264	9%
Liabilities									
Other liabilities	\$ 3	\$ 4	-27%	\$ 10	\$ 11	-5%	\$ 13	\$ 15	-11%
Due to other funds	2	2	-7%	-	-	n/a	2	2	-7%
Due to other governments	35	12	189%	-	-	n/a	35	12	189%
Total liabilities	40	18	119%	10	11	-5%	50	29	72%
Net position									
Restricted	361	413	-12%	-	-	n/a	361	413	-12%
Unrestricted	1,994	1,740	15%	59	82	-28%	2,053	1,822	13%
Total net position	2,355	2,153	9%	59	82	-28%	2,414	2,235	8%
Total liabilities and net position	\$ 2,395	\$ 2,171	10%	\$ 69	\$ 93	-25%	\$ 2,464	\$ 2,264	9%

Figure A-4 – Changes in Net Position from Operating Results

<i>Borough of Youngville, Pennsylvania</i>									
<i>Changes in Net Position from Operating Results (in thousands of Dollars)</i>									
	Governmental Activities			Business-type Activities			Total		
	2025	2024	% Change	2025	2024	% Change	2025	2024	% Change
Revenue									
Program revenue									
Charges for services	\$ 95	\$ 88	8%	\$ 885	\$ 867	2%	\$ 980	\$ 955	3%
Operating grants	130	133	-2%	3	2	n/a	133	135	-1%
Capital proceeds	96	11	772%	-	-	n/a	96	11	772%
General revenue									
Tax revenue	901	877	3%	-	-	n/a	901	877	3%
Interest	51	58	-12%	2	1	n/a	53	59	-10%
Interfund transfers	150	101	49%	(150)	(101)	49%	-	-	n/a
Other sources	14	37	-62%	-	-	n/a	14	37	-62%
Total revenue	<u>1,437</u>	<u>1,305</u>	<u>10%</u>	<u>740</u>	<u>769</u>	<u>-4%</u>	<u>2,177</u>	<u>2,074</u>	<u>5%</u>
Expenses									
General government support	192	188	2%	-	-	n/a	192	188	2%
Public safety	364	402	-9%	-	-	n/a	364	402	-9%
Public works	309	203	52%	-	-	n/a	309	203	52%
Recreation/civic	104	116	-10%	-	-	n/a	104	116	-10%
Capital outlay	175	223	-22%	-	-	n/a	175	223	-22%
Debt service	80	107	-25%	-	-	n/a	80	107	-25%
Community development	11	-	n/a	-	-	n/a	11	-	n/a
Business-type (water fund)	-	-	n/a	253	253	0%	253	253	0%
Business-type (sanitation fund)	-	-	n/a	208	207	0%	208	207	0%
Business-type (sewer fund)	-	-	n/a	303	307	-1%	303	307	-1%
Total expenses	<u>1,235</u>	<u>1,239</u>	<u>0%</u>	<u>764</u>	<u>767</u>	<u>0%</u>	<u>1,999</u>	<u>2,006</u>	<u>0%</u>
Change in net position	<u>\$ 202</u>	<u>\$ 66</u>		<u>\$ (24)</u>	<u>\$ 2</u>		<u>\$ 178</u>	<u>\$ 68</u>	

IV. Financial Analysis of the Borough as a Whole (continued)

Revenue

Figure A-4 presents the major sources of revenue of the Borough’s Governmental and Business-type activities. Revenue totaled \$2,177,000 for the year ended December 31, 2025. The most significant revenues are more thoroughly discussed as follows:

- Tax revenue represents approximately 41% of the Borough’s total revenue. Total tax revenue in the current year increased approximately 3% due to an increase in earned income tax collections.
- The Borough’s capital proceeds represented 4% of total revenue during the year ended December 31, 2025. In 2025, the Borough received proceeds from a USDA grant and loan funds for a truck purchase.

IV. Financial Analysis of the Borough as a Whole (continued)

Revenue (Continued)

- During the year ended December 31, 2025, the Borough had charges for services in the amount of \$980,000. Charges for services consisted of public safety fines, municipal pool charges and water, sewer and sanitation user fees. Total charges for services increased approximately \$25,000 or 3% due to an increase in water fund revenues.

Expenses

Figure A-4 presents the cost of each of the Borough’s largest expenditure-type, which include; general governmental support, public safety, public works, capital outlay and water, sanitation and sewer costs; as well as each expenditure-type’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the Borough’s taxpayers and Commonwealth of Pennsylvania by each of these functions. Expenses totaled \$1,999,000 for the year ended December 31, 2025.

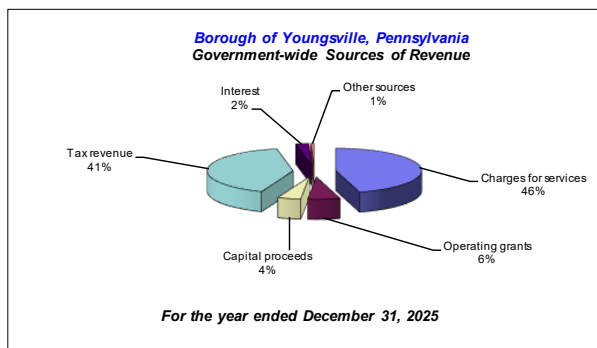
**IV. Financial Analysis of the Borough as a Whole
(continued)**

Expenses (continued)

The most significant expenses are more thoroughly discussed as follows:

- The Borough's general governmental support costs represented approximately 10% of expenses and were primarily related to administrative wages and benefits, professional services, building and utilities costs. Total general governmental support costs increased by approximately \$4,000 during the current year due to an increase in wages and supplies.
- The Borough's public safety costs represented approximately 18% of expenses during the year ended December 31, 2025, and primarily consisted of police and fire protection. Total public safety costs decreased by approximately \$38,000 during the current year due to a decrease in workers compensation and contractual expenses for ambulance services.
- Public works costs of the Borough represented approximately 15% of expenses during the year ended December 31, 2025 and were related to road maintenance and equipment. Total public works costs increased by approximately \$106,000 during the current year. This increase was mainly attributed to an increase in liquid fuel fund expenditures.

Figure A-5 Government-wide sources of revenue



**V. Financial Analysis of the Borough as a Whole
(continued)**

Expenses (continued)

- The Borough's capital outlay represents approximately 9% of expenses during the current year. Total capital outlay decreased by approximately \$48,000 due to a decrease in ongoing capital projects
- The Borough's business-type activities related to the operation of its water, sewer and sanitation departments. Total costs were approximately \$764,000 during the year ended December 31, 2025. These costs decreased approximately \$3,000 compared to the prior year due to a decrease in workers compensation expenses offset by an increase in wages and landfill charges.
- For governmental activities, the Borough received approximately \$321,000 of operating grants, capital grants and charges for services which subsidized certain programs of the Borough.

Figure A-6 – Government-wide expenses

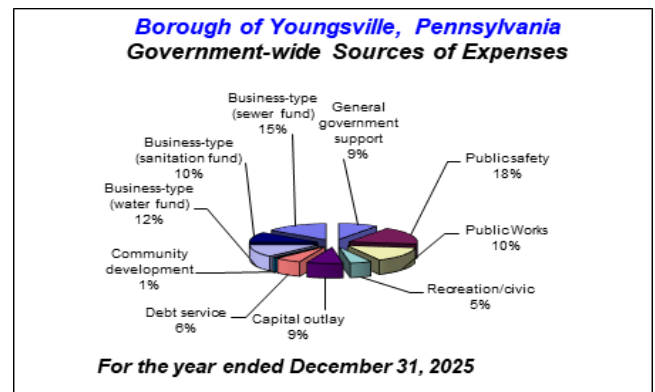


Figure A-7 – Expenditures supported with program revenue

<i>Borough of Youngsville, Pennsylvania</i>												
<i>Expenditures supported with program revenue (in thousands of dollars)</i>												
	Governmental Activities				Business-type Activities				Total			
	2025		2024		2025		2024		2025		2024	
Expenditures supported with general revenue (from taxes & other sources)	\$ 914	74%	\$ 1,007	81%	\$ (124)	-16%	\$ (102)	-13%	\$ 790	40%	\$ 905	45%
Expenditures supported with program revenue	321	26%	232	19%	888	116%	869	113%	1,209	60%	1,101	55%
Total expenditures	\$ 1,235	100%	\$ 1,239	100%	\$ 764	100%	\$ 767	100%	\$ 1,999	100%	\$ 2,006	100%

Figure A-8 – Net cost of governmental activities

<i>Borough of Youngsville, Pennsylvania</i>									
<i>Net Cost of Governmental Activities (in thousands of dollars)</i>									
	Total cost of services			Net cost of services					
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total			
General government support	\$ 192	\$ -	\$ 192	\$ 172	\$ -	\$ 172			
Public safety	364	-	364	288	-	288			
Public works	309	-	309	249	-	249			
Recreation/civic	104	-	104	50	-	50			
Capital outlay	175	-	175	114	-	114			
Debt service	80	-	80	30	-	30			
Community development	11	-	11	11	-	11			
Business-type (water fund)	-	253	253	-	(39)	(39)			
Business-type (sanitation fund)	-	208	208	-	8	8			
Business-type (sewer fund)	-	303	303	-	(93)	(93)			
Total	\$ 1,235	\$ 764	\$ 1,999	\$ 914	\$ (124)	\$ 790			

V. Financial Analysis of the Borough's Funds

General Fund

- The Borough's general fund expenditures exceeded its revenues by approximately \$5,000.
- The Borough's general fund unassigned fund balance equated to approximately \$135,000 as of December 31, 2025.
- The Borough's general fund total assets increased approximately \$17,000, while total liabilities increased \$21,000, during the year ended December 31, 2025. The increase in assets was primarily related to an increase in cash while the increase in liabilities was associated with an increase in due to other governments.
- Total revenue in the Borough's general fund remained the same. Total expenditures increased \$3,000, which was primarily related to an increase in interfund transfers, offset by decreases in public safety expenses.

**V. Financial Analysis of the Borough's Funds
 (continued)**

Liquid Fuels Fund

- Revenues in the liquid fuels fund from the State were very similar to revenues in the prior year. Expenditures increased approximately \$113,000 compared to the prior year, due to an increase in paving projects.

Capital Reserve and Contingency Fund

- During the current year, the Borough incurred approximately \$175,000 of expenditures for various capital related projects related to water and sewer infrastructure, police department, public works and other general governmental uses. The Borough also had debt service payments in the amount of \$51,000.

**V. Financial Analysis of the Borough's Funds
(continued)**

ROY Fund

The Borough established a fund to account for the revenues and expenses of the revitalization of Youngsville account which the Council approved to consolidate. No expenses were incurred in this fund during the current year.

Sewer Fund

The Borough's Sewer fund had revenue, primarily from sewer charges, in the amount of \$396,000. The Borough's Sewer fund expenditures were approximately \$405,000, which consisted primarily of wages and benefits, maintenance, transfers out, sewage treatment and debt service payments.

Water Fund

The Borough's Water fund had revenue, primarily from water charges, in the amount of \$293,000. The Borough's Water fund expenditures were approximately \$301,000, which consisted primarily of wages and benefits, maintenance and debt service payments.

Sanitation Fund

The Borough's Sanitation fund had revenue, primarily from water charges, in the amount of \$201,000. The Borough's Sanitation fund expenditures were approximately \$208,000, which consisted primarily of wages and benefits, transfers, maintenance, landfill charges and debt service payments.

VI. General Fund Budgetary Highlight

The revised budget presents actual expenditures being approximately \$76,000 above the revised budget. The most significant variance was in the transfers to other funds which actual expenditures were above the revised budget by \$183,000. On the other hand, resources available for appropriations were approximately \$69,000 above the final budgeted amount. Significant variance of revenue items consisted of tax revenues which were approximately \$91,000 over that budgeted, while other financing sources were approximately \$65,000 below that budgeted.

VI. General Fund Budgetary Highlight (continued)

Figure A-9 – General Fund – budget vs. actual

<i>Borough of Youngsville, Pennsylvania</i>					
General Fund - Budget vs Actual Comparison (in thousands of \$)					
	Revised				
	Budget	Actual	Difference		%
Revenue					
Taxes	\$ 800	\$ 901	\$ 101		13%
Fines and forfeitures	10	13	3		27%
Federal, State & local aid	72	73	1		2%
Charges for service	40	56	16		41%
Other operating revenues	16	28	12		77%
Other financing sources	65	-	(65)		-100%
Total revenue	\$ 1,003	\$ 1,071	\$ 69		7%
Expenditures					
General government	\$ 210	\$ 192	\$ 18		9%
Public safety	387	364	23		6%
Public works	232	191	41		18%
Culture and recreation	126	104	22		17%
Debt service	30	30	-		0%
Community development	14	11	3		21%
Other financing uses	-	183	(183)		n/a
Total expenditures	\$ 999	\$ 1,075	\$ (76)		-8%

VII. Debt Administration

Long-term Debt

As depicted in Figure A-10, as of December 31, 2025, the Borough had approximately \$512,000 in notes payable which decreased approximately \$98,000. This decrease was related to current year principal payments.

Figure A-10 – Outstanding long-term debt

<i>Borough of Youngsville, Pennsylvania</i>			
Outstanding Long-Term Debt			
	Total Government-wide		
	2025	2024	Change
Construction Note	\$ 265,261	\$ 328,230	\$ (62,969)
Wastewater UV Note	186,718	213,124	(26,406)
Infrastructure Note	59,977	68,259	(8,282)
Total Long-Term Debt	\$ 511,956	\$ 609,613	\$ (97,657)

VIII. Factors Bearing on the Borough's Future

At the time these financial statements were prepared and audited, the Borough was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Youngsville Borough does not have any existing circumstances that could adversely affect the financial health of our organization in the future. We are currently holding steady in our reserves and closely watching our spending.

Contacting the Borough's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the Borough and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Borough of Youngsville, Pennsylvania
Borough Administrative Offices
Attention: Ms. Wendy Wilcox, Borough Manager
40 Railroad Street
Youngsville, Pennsylvania 16371

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
AS OF DECEMBER 31, 2025

Assets	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 2,349,586	\$ 67,472	\$ 2,417,058
Due from other funds	-	1,865	1,865
Due from other governments	44,767	-	44,767
Total assets	<u>\$ 2,394,353</u>	<u>\$ 69,337</u>	<u>\$ 2,463,690</u>
Liabilities and Net Position			
Liabilities			
Payroll withholdings	\$ 2,939	\$ -	\$ 2,939
Customer deposits	-	10,433	10,433
Due to other funds	1,865	-	1,865
Due to other governments	34,696	-	34,696
Total liabilities	<u>39,500</u>	<u>10,433</u>	<u>49,933</u>
Net Position			
Restricted	361,399	-	361,399
Unrestricted:			
Unrestricted - Board Designated	1,858,533	-	1,858,533
Unrestricted	134,921	58,904	193,825
Total net position	<u>2,354,853</u>	<u>58,904</u>	<u>2,413,757</u>
Total liabilities and net position	<u>\$ 2,394,353</u>	<u>\$ 69,337</u>	<u>\$ 2,463,690</u>

BOROUGH OF YOUNGVILLE, PENNSYLVANIA
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Programs of	<u>Program revenue</u>				Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants	Capital Proceeds			
Governmental activities:							
General governmental support	\$ 192,212	\$ 18,304	\$ 2,343	\$ -	\$ (171,565)	\$ -	\$ (171,565)
Public safety	364,032	6,922	68,698	-	(288,412)	-	(288,412)
Public works	307,699	-	58,529	-	(249,170)	-	(249,170)
Culture and recreation	104,129	54,582	-	-	(49,547)	-	(49,547)
Capital outlay	175,293	15,235	-	45,966	(114,092)	-	(114,092)
Debt service	80,166	-	-	49,900	(30,266)	-	(30,266)
Community development	11,475	-	-	-	(11,475)	-	(11,475)
Total governmental activities	<u>1,235,006</u>	<u>95,043</u>	<u>129,570</u>	<u>95,866</u>	<u>(914,527)</u>	<u>-</u>	<u>(914,527)</u>
Business-type activities:							
Water	253,309	291,326	1,202	-	-	39,219	39,219
Sanitation	207,667	199,213	647	-	-	(7,807)	(7,807)
Sewer	302,678	394,284	1,249	-	-	92,855	92,855
Total business-type activities	<u>763,654</u>	<u>884,823</u>	<u>3,098</u>	<u>-</u>	<u>-</u>	<u>124,267</u>	<u>124,267</u>
Total programs	<u>\$ 1,998,660</u>	<u>\$ 979,866</u>	<u>\$ 132,668</u>	<u>\$ 95,866</u>	<u>(914,527)</u>	<u>124,267</u>	<u>(790,260)</u>
General revenue							
Taxes					901,198	-	901,198
Interest					51,466	2,151	53,617
Transfer from proprietary/ (to governmental activities)					149,532	(149,532)	-
Other revenues					13,768	-	13,768
Total general revenue					<u>1,115,964</u>	<u>(147,381)</u>	<u>968,583</u>
Change in net position					201,437	(23,114)	178,323
Net position, beginning of year					<u>2,153,416</u>	<u>82,018</u>	<u>2,235,434</u>
Net position, end of year					<u>\$ 2,354,853</u>	<u>\$ 58,904</u>	<u>\$ 2,413,757</u>

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS –
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2025

	General	Capital Reserve Fund	Liquid Fuels Fund	Revitalization of Youngsville Fund	Total
Assets					
Cash and cash equivalents	\$ 73,527	\$ 1,918,014	\$ 136,917	\$ 221,128	\$ 2,349,586
Due from other governments	-	44,767	-	-	44,767
Interfund receivable	99,029	-	-	-	99,029
Total assets	\$ 172,556	\$ 1,962,781	\$ 136,917	\$ 221,128	\$ 2,493,382
Liabilities and Fund Equity					
Liabilities					
Payroll withholdings	\$ 2,939	\$ -	\$ -	\$ -	\$ 2,939
Due to other governments	34,696	-	-	-	34,696
Interfund payable	-	100,894	-	-	100,894
Total liabilities	\$ 37,635	\$ 100,894	\$ -	\$ -	\$ 138,529
Fund Equity					
Restricted	\$ -	\$ 3,354	\$ 136,917	\$ 221,128	\$ 361,399
Committed	-	1,858,533	-	-	1,858,533
Unassigned	134,921	-	-	-	134,921
Total fund equity	134,921	1,861,887	136,917	221,128	2,354,853
Total liabilities and fund equity	\$ 172,556	\$ 1,962,781	\$ 136,917	\$ 221,128	\$ 2,493,382

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS –
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Revenue	General	Capital Reserve Fund	Liquid Fuels Fund	Revitalization of Youngsville Fund	Total
Taxes	\$ 901,198	\$ -	\$ -	\$ -	\$ 901,198
Licenses and permits	760	-	-	-	760
Fines and forfeitures	12,668	-	-	-	12,668
Interest, rents and royalties	2,711	35,700	3,581	9,474	51,466
Federal sources	-	44,706	-	-	44,706
State and local government sources	73,474	1,260	56,096	-	130,830
Charges for service	56,336	15,235	-	-	71,571
Other operating revenues	23,812	-	-	-	23,812
Other financing sources					
Transfer from other funds	-	332,562	-	-	332,562
Proceeds from issuance of debt	-	49,900	-	-	49,900
Total revenue	1,070,959	479,363	59,677	9,474	1,619,473
Expenditures					
General governmental support	192,212	-	-	-	192,212
Public safety	364,032	-	-	-	364,032
Public works	191,003	-	116,696	-	307,699
Culture and recreation	104,129	-	-	-	104,129
Capital outlay	-	175,293	-	-	175,293
Debt service	29,604	50,562	-	-	80,166
Community development	11,475	-	-	-	11,475
Other financing uses					
Transfers to other funds	183,030	-	-	-	183,030
Total expenditures	1,075,485	225,855	116,696	-	1,418,036
Excess (deficiency) of revenue over expenditures	(4,526)	253,508	(57,019)	9,474	201,437
Fund equity, beginning of year	139,447	1,608,379	193,936	211,654	2,153,416
Fund equity, end of year	\$ 134,921	\$ 1,861,887	\$ 136,917	\$ 221,128	\$ 2,354,853

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS –
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2025

	Proprietary Funds			Total
	Water Fund	Sanitation Fund	Sewer Fund	
Assets				
Cash and investments	\$ 24,906	\$ 5,367	\$ 37,199	\$ 67,472
Due from other funds	1,865	-	-	1,865
Total assets	<u>\$ 26,771</u>	<u>\$ 5,367</u>	<u>\$ 37,199</u>	<u>\$ 69,337</u>
Liabilities and Net Position				
Liabilities				
Customer deposits	\$ 2,608	\$ 2,608	\$ 5,217	\$ 10,433
Total liabilities	<u>2,608</u>	<u>2,608</u>	<u>5,217</u>	<u>10,433</u>
Net Position				
Unrestricted	24,163	2,759	31,982	58,904
Total liabilities and net position	<u>\$ 26,771</u>	<u>\$ 5,367</u>	<u>\$ 37,199</u>	<u>\$ 69,337</u>

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Proprietary Funds			Total
	Water Fund	Sanitation Fund	Sewer Fund	
Operating Revenue				
Charges for service	\$ 291,326	\$ 199,213	\$ 394,284	\$ 884,823
Operating expenses				
Salaries and wages	98,245	57,954	98,537	254,736
Employee benefits	55,941	38,442	58,900	153,283
Repairs and maintenance	22,658	804	22,626	46,088
Supplies	5,901	6,565	3,288	15,754
Utilities	30,651	2,456	53,667	86,774
Landfill charges	-	79,681	-	79,681
Administrative	15,712	6,969	18,384	41,065
Debt service	24,201	14,796	47,276	86,273
Total operating expenses	253,309	207,667	302,678	763,654
Income from operations	38,017	(8,454)	91,606	121,169
Other income (expense)				
State sources	1,202	647	1,249	3,098
Interfund transfer out	(47,661)	-	(101,871)	(149,532)
Interest revenue	717	717	717	2,151
Total other income (expense)	(45,742)	1,364	(99,905)	(144,283)
Change in net position	(7,725)	(7,090)	(8,299)	(23,114)
Net position, beginning of year	31,888	9,849	40,281	82,018
Net position, end of year	\$ 24,163	\$ 2,759	\$ 31,982	\$ 58,904

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS –
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Proprietary Funds			Total
	Water Fund	Sanitation Fund	Sewer Fund	
Cash flows from operating activities				
Cash received from users	\$ 291,276	\$ 199,163	\$ 394,184	\$ 884,623
Payments made for operations	(74,922)	(96,475)	(97,965)	(269,362)
Payments to or on behalf of employees	(154,186)	(96,396)	(157,437)	(408,019)
Net cash provided by operating activities	62,168	6,292	138,782	207,242
Cash flows from investing activities				
Interest income	717	717	717	2,151
Net cash provided by investing activities	717	717	717	2,151
Cash flows from financing activities				
State sources	1,202	647	1,249	3,098
Net transfers to other funds	(47,661)	-	(101,871)	(149,532)
Debt service payments	(24,201)	(14,796)	(47,276)	(86,273)
Net cash used in financing activities	(70,660)	(14,149)	(147,898)	(232,707)
Net change in cash	(7,775)	(7,140)	(8,399)	(23,314)
Cash balance, beginning of year	32,681	12,507	45,598	90,786
Cash balance, end of year	\$ 24,906	\$ 5,367	\$ 37,199	\$ 67,472
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 38,017	\$ (8,454)	\$ 91,606	\$ 121,169
Adjustments				
Change in customer deposits	(50)	(50)	(100)	(200)
Debt service reported as financing activity	24,201	14,796	47,276	86,273
Net cash provided by operating activities	\$ 62,168	\$ 6,292	\$ 138,782	\$ 207,242

BOROUGH OF YOUNGVILLE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Borough of Youngville, Pennsylvania (the Borough) is incorporated under the laws of the Commonwealth of Pennsylvania. The Borough operates under a council-manager form of government and provides the following services as authorized by its charter: public safety, highway and street maintenance, sanitation, water, sewer, culture, recreation, public improvements, and general administrative services.

Exception from U.S. Generally Accepted Accounting Principles

The *Borough of Youngville, Pennsylvania* prepares financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In this particular method, only revenues collected, costs and expenses paid, and assets and liabilities arising from cash transactions are recognized. This results in the exclusion of the following transactions and accounts, which would be recognized under generally accepted accounting principles, regardless of materiality: Capital assets and associated accumulated depreciation, short-term and long-term accounts receivable and payable, long-term debt, compensated absences and liabilities associated with GASB's 68, 75, 87, 96 and 101.

The Reporting Entity

The Borough, for financial purposes, includes all of the funds relevant to the operations of the *Borough of Youngville, Pennsylvania*. The financial statements herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the *Borough of Youngville, Pennsylvania*.

The financial statements of the Borough include those separately administered organizations that are controlled by or are dependent on the Borough. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of respective governing board.

Basis of Presentation

1. Government-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Borough's governmental activities. These statements include the financial activities of the overall government in its entirety. Eliminations have been made to minimize double counting of internal transactions. Governmental activities generally are financed through taxes, licenses and permits, local revenue and other revenue. Operating grants include operating-specific and discretionary (either operating or capital) grants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

1. Government-wide Statements (continued)

Business-type activities are reported separate from governmental activities. They include the Borough's Sewer, Water, and Sanitation Departments' activities, which largely rely on fees and charges.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Borough's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

2. Fund Financial Statements

A. Governmental Fund Types

Governmental funds are those funds used to account for the operations of the Borough. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, revenue and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the accompanying financial statements into three broad fund categories as follows:

General Fund

The General Fund is the general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in other funds.

Capital Reserve and Contingency Fund

The Capital Reserve and Contingency Fund was established with general and enterprise funds. Annual transfers to the Capital Reserve and Contingency Fund are made for any capital expenditure or contingency purpose.

Liquid Fuel Fund

The Borough accounts for monies received from the state and used for street and road projects in the Liquid Fuel Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

2. Fund Financial Statements (continued)

A. Governmental Fund Types (continued)

Revitalization of Youngsville Fund

This special revenue fund is used to account for monies received and expended for specific purposes related to the revitalization of the Borough of Youngsville.

B. Proprietary Fund Types

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or primarily recovered through user charges. In addition, a periodic net income determination of revenue earned and expenses incurred is appropriate for capital maintenance, public policy, management control and accountability. The proprietary fund represents the Sewer Fund, Sanitation Fund, and Water Fund of the *Borough of Youngsville, Pennsylvania*.

Basis of Accounting – Exception from U.S. Generally Accepted Accounting Principles

Under accounting principles generally accepted in the United States of America the government-wide and proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash transactions take place. The governmental fund statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual method, revenue is recognized when measurable and available as net current assets.

As mentioned above, the Borough has elected to use the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the modified cash basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes

Property tax revenue is recorded when received. This includes any delinquent prior period tax payments. Property taxes are levied annually on August 1st, and the Borough offers a 2% discount if paid by September 30th. Such tax payments are due without penalty by November 30th. Any delinquent payment after November 30th is charged par plus 10% penalty. All uncollected property taxes are remitted to the tax bureau approximately four months into the following year.

Budgets and Budgetary Accounting

The Borough is required by state law, as well as its Home Rule Charter to adopt approved annual budgets for both governmental funds and proprietary funds.

1. Prior to November 30th, the Borough manager submits a tentative operating budget to the Borough Council for the year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them. The message sent with the tentative budget is designed to explain the budget in both financial and nonfinancial terms, such as program policies, activities and plans. A summarization of the Borough's debt position, as well as major changes and proposals to financial policies for the following year are also outlined.
2. The Borough Council is called to meet ten days after public notice of the meeting has been given, for the primary purpose of adopting the tentative budget.
3. Prior to December 31st, the budget is legally enacted through passage of a Council resolution.
4. As dictated by law, any amendment to the approved budget is made before the fact, is reflected in the official minutes, and not made after year-end.

Each budget is prepared using the same basis of accounting, the modified cash basis, for use in both governmental funds and proprietary funds.

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Balances and Operating Transfers

The operations of the Borough give rise to certain transactions between funds, including transfers of expenditures and transfers of revenue to provide services and construct assets. The Borough's policy regarding interfund receivables and payables is to eliminate them as soon as practical.

Estimates

Management uses estimates and assumptions in preparing financial statements. Accordingly, estimated results may differ from actual results.

Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. The Borough's financial statements reflect the requirements of GASB 54.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). The Borough did not have any nonspendable fund balance as of December 31, 2025.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. The Borough had restricted fund balance as of December 31, 2025 as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (continued)

B. Restricted (continued)

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital projects	Heart and Soul grant	\$ 3,354
Liquid fuels fund	Streets and Roads	136,917
ROY fund	Streetscape – Phase II	221,128
	Total	<u>\$ 361,399</u>

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the Borough's Council, which is the Borough's highest level of decision-making authority. The Borough had committed fund balance in its capital reserve fund as of December 31, 2025 as follows:

<u>Purpose</u>	<u>Amount</u>
Sewer projects	\$ 358,758
Water projects	121,830
Sanitation projects	213,668
General	<u>1,164,277</u>
Total	<u>\$ 1,858,533</u>

D. Assigned

Fund balance intended to be used by the Borough for specific purposes but does not meet the criteria to be restricted or committed. Along with the Borough's Council, the Borough Manager has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance. The Borough did not have any assigned fund balance at December 31, 2025.

E. Unassigned

The residual classification of the general fund includes all spendable amounts not contained in the other classifications. The Borough had unassigned fund balance of \$134,921 as of December 31, 2025.

BOROUGH OF YOUNGVILLE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 2 - CASH AND CASH EQUIVALENTS

The Borough investment policies are governed by State statutes. The Borough itself does not maintain a formal written investment policy. Borough monies must be deposited in FDIC-insured commercial banks or trust companies located within the Commonwealth of Pennsylvania. The Borough Manager is authorized to use demand accounts and certificates of deposit. Permissible investments include: (1) direct obligations of the U.S. government, pledged by its full faith and credit; (2) savings accounts at savings and loan associations and banks, to the extent fully insured; (3) certificates of deposit at federally insured banks and loan associations, when fully insured; and (4) any note, bond, or other issuance of indebtedness by agencies, authorities, or public entities issued by any public trust of which the Borough is sole beneficiary.

Custodial Credit Risk

In the event of a bank failure, custodial credit risk is the risk that Borough's deposits will not be returned to it. The Borough does not have an official deposit policy that addresses custodial credit risk. Any deposit in excess of the FDIC insurance limitation of (\$250,000) are to be collateralized in accordance with Act 72 of 1971 of the Commonwealth of Pennsylvania. This legislation requires financial institutions to pledge governmental securities having a market value at least equal to the amount on deposit. The bank uses the pooling method to pledge securities for all public funds that are on deposit. This method allows the depository to pledge securities in one lump sum that covers all public funds on deposit at the bank. As of December 31, 2025, the Borough's bank balances were secured by FDIC insurance and by the bank as required by Act 72 of 1971.

Cash Equivalents

The Borough also invests funds with the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT acts like market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share and they are rated by a nationally recognized statistical rating organization and subject to an annual independent audit. Deposits are subjected to custodial credit risk and amounted to \$225,730 which was recorded in the capital reserve fund as of December 31, 2025. Also, \$221,128 in Revitalization of Youngville Fund.

NOTE 3 – INTERFUND TRANSACTIONS

Interfund balances as of December 31, 2025 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 99,029	\$ -
Capital Fund	-	100,894
Water Fund	1,865	-
Sewer Fund	-	-
Sanitation Fund	-	-
Total	<u>\$ 100,894</u>	<u>\$ 100,894</u>

Interfund transactions for the year ended December 31, 2025 are as follows:

	<u>Interfund Revenue</u>	<u>Interfund Expenditures</u>
General Fund	\$ -	\$ 183,030
Capital Reserve	332,562	-
Water Fund	-	47,661
Sanitation Fund	-	-
Sewer Fund	-	101,871
Total	<u>\$ 332,562</u>	<u>\$ 332,562</u>

During the current year the Borough transferred \$183,030 from the general fund and \$101,871 from the sewer fund and \$47,661 from the water fund to the capital reserve fund for future capital expenditures.

NOTE 4 - RETIREMENT PLANS

The Borough maintains two retirement plans that cover uniformed and non-uniformed employees.

A. Police Pension Plan

General Information

The *Borough of Youngville, Pennsylvania* offers a single-employer defined benefit pension plan to its Police employees. The Police Pension Plan is managed and administered by the Borough's Council to provide pension benefits for uniformed employees. Although the Borough maintains governing authority of the Plan and may amend provisions, it has delegated the management responsibilities over Police Plan assets to the Pennsylvania State Association of Boroughs Municipal Retirement Trust.

Funding Policies

The Borough is required to contribute at an actuarially determined rate. The contribution for the current year was \$68,698. The Plan is also funded by annual entitlements received from the Commonwealth of Pennsylvania and contributions from the Borough. The Borough contributed 100% of the required contributions for each year.

NOTE 4 - RETIREMENT PLANS (CONTINUED)

A. Police Pension Plan (continued)

Plan Descriptions

The Police Pension Plan is a single-employer defined pension plan and provides retirement benefits as well as death benefits to full-time police employees. All benefits fully vest after the completion of twelve years of credited service. Employees who retire at or after age 55 and with twenty years of credited service are entitled to monthly retirement benefits, payable for life, in an amount equal to 50% of their average eligible monthly compensation received during the last 36 consecutive months of employment. There is also an additional service increment of 2% of monthly average compensation for each completed credited service year in excess of twenty years, up to a maximum of 66% average monthly pay. A member who is vested in the Plan but terminates employment prior to the retirement age must wait until retirement age to receive partial superannuation retirement allowance. The Plan also provides survivor and disability benefits.

B. Non-uniformed Pension Plan

General Information

The Non-uniformed Employee Money Purchase Pension Plan is a single-employer defined contribution pension plan. Employees are eligible to participate in the plan after six months of service and are at least 21 years of age and working full-time. The Borough contributes 10% of compensation for eligible employees, with no employee contribution required. Employee eligibility requirements are a full-time employee must be at least 21 years of age, and complete six months of service. Benefits vest 20% after two years of service, plus 20% each year thereafter to 100% after six years of service. Uniformed employees are not eligible to participate in this plan. The Borough has delegated the authority to manage certain Plan assets to Northwest Bank. The contribution for the current year was \$26,028.

NOTE 5 – POST-EMPLOYMENT BENEFITS

In addition to pension benefits aforementioned in Note 4, the Borough offers post-employment healthcare benefits to substantially all employees. In a participation agreement with Public Employees Benefit Services Corporation (PEBSCO), the plan was established on January 1st, 2000. The Borough annually contributes \$300 for each eligible employee to PEBSCO, Inc. Said contributions are made into a trust established by PEBSCO. Individual accounts are set up for each employee, of which upon retirement, is entitled to qualified medical care expense reimbursement from his or her account. The contribution for the current year was approximately \$3,000.

NOTE 6 – LEASE COMMITMENTS

Operating Leases

The Borough has several lease agreements for office equipment. The total payments under these agreements were approximately \$1,850 for the year ended December 31, 2025.

Management expects that the minimum annual lease payments for the remainder of the lease agreements will be:

<u>Year</u>	<u>Amount</u>
2026	\$ 1,850
2027	1,297
2028	1,020

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

NOTE 7 - INDEBTEDNESS

Changes in Long-term debt

The changes in the Borough's indebtedness during the year ended December 31, 2025 are summarized as follows:

<u>Governmental Activities</u>	<u>Balance 12/31/24</u>	<u>Additions</u>	<u>Principal payments</u>	<u>Balance 12/31/25</u>
USDA Truck Loan	\$ -	\$ 49,900	\$ 49,900	\$ -
Combined Governmental and Business-type Activities				
Construction note	\$ 328,230	\$ -	\$ 63,525	\$ 264,705
Business-type Activities				
Wastewater UV project note	\$ 213,124	\$ -	\$ 26,406	\$ 186,718
PennVEST note – PV Drinking Water State Revolving Fund	68,259	-	8,281	59,978
	\$ 281,383	\$ -	\$ 34,687	\$ 246,696
Grand Total	\$ 609,613	\$ 49,900	\$ 148,112	\$ 511,401

Long-term debt

The following is a statement of notes payable:

	<u>Loan Holder</u>	<u>Interest Rate (%)</u>	<u>Expected Maturity Date</u>	<u>Outstanding at 12/31/25</u>
Construction note	Northwest Bank	5.314%	November 2029	\$ 264,705
PennVEST note – PV Drinking Water State Revolving Fund	Pennsylvania Infrastructure Investment Authority	1.743%	January 2043	\$ 59,977
Wastewater UV project note	Northwest Bank	3.25%	October 2031	\$ 186,718

The construction note carries an interest rate that is adjusted every 60 months which is calculated as 70% of the treasury index rate plus 2.5%. The interest rate changed to 5.314% in June 2025. The wastewater UV project note has an interest rate that is adjusted every 60 months which is calculated at the FHLB 5 year fixed rate advance plus 2.5%. The interest rate is expected to change again on November 1, 2026 and was 3.25% as of December 31, 2025. The PV drinking water state revolving fund has an interest rate of 1.743%. The current payment is \$783.77 and will change effective February 1, 2028 to \$809.10 per month.

Maturity Schedules

A summary of principal and interest payments on the Borough's long-term debt, based on payments Management expects to make, are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 99,524	\$ 19,189	\$ 118,713
2027	103,925	14,788	118,713
2028	108,739	10,251	118,990
2029	111,954	5,265	117,219
2030	40,223	1,997	42,220
thereafter	47,036	727	47,763
Total	\$ 511,401	\$ 52,217	\$ 563,618

NOTE 7 – INDEBTEDNESS (CONTINUED)

Interest Expense

Total interest expense on long-term debt paid by the Borough amounted to approximately \$18,000 for the year ended December 31, 2025.

NOTE 8 – CAPITAL PROJECTS AND CAPITAL RESERVE FUND

During the year ended December 31, 2025, the Borough spent approximately \$175,000 of capital reserve funds for several projects related to water and sewer infrastructure, police department, public works and other general governmental use. During 2025, the Borough also received proceeds from a USDA loan (\$49,900) and grant (\$44,406) for a vehicle purchase. The loan was paid in full during 2025.

Due from other governments recorded in the capital fund represents an overpayment that was reimbursed to the Borough in January 2026.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events were evaluated through April 13, 2026, which is the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND EQUITY – BUDGET AND ACTUAL
– GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2025

Revenue	General Fund			Liquid Fuels Fund		
	Budget (Original/Final)	Actual	Fav (Unfav) Variance	Budget (Original/Final)	Actual	Fav (Unfav) Variance
Taxes	\$ 800,000	\$ 901,198	\$ 101,198	\$ -	\$ -	\$ -
Licenses and permits	700	760	60	-	-	-
Fines and forfeitures	10,000	12,668	2,668	-	-	-
Interest, rents and royalties	1,000	2,711	1,711	3,000	3,581	581
State and local government sources	72,167	73,474	1,307	54,000	56,096	2,096
Charges for service	39,750	56,336	16,586	-	-	-
Other operating revenues	13,800	23,812	10,012	-	-	-
Other financing sources						
Transfer from other funds	64,274	-	(64,274)	-	-	-
Sale of fixed assets	500	-	(500)	-	-	-
Total revenue	<u>1,002,191</u>	<u>1,070,959</u>	<u>68,768</u>	<u>57,000</u>	<u>59,677</u>	<u>2,677</u>
Expenditures						
General governmental support	209,945	192,212	17,733	-	-	-
Public safety	386,910	364,032	22,878	-	-	-
Public works	231,567	191,003	40,564	163,000	116,696	46,304
Culture and recreation	125,645	104,129	21,516	-	-	-
Debt service	29,600	29,604	(4)	-	-	-
Community development	14,000	11,475	2,525	-	-	-
Other financing uses						
Transfers to other funds	-	183,030	(183,030)	-	-	-
Total expenditures	<u>997,667</u>	<u>1,075,485</u>	<u>(77,818)</u>	<u>163,000</u>	<u>116,696</u>	<u>46,304</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 4,524</u>	<u>(4,526)</u>	<u>\$ (9,050)</u>	<u>\$ (106,000)</u>	<u>(57,019)</u>	<u>\$ 48,981</u>
Fund equity, beginning of year		139,447			193,936	
Fund equity, end of year		<u>\$ 134,921</u>			<u>\$ 136,917</u>	

See accompanying independent auditor's report.

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
NET POSITION – BUDGET AND ACTUAL
– PROPRIETARY FUNDS – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2025

	Water Fund			Sanitation Fund			Sewer Fund		
	Budget (Original/Final)	Actual	Fav (Unfav) Variance	Budget (Original/Final)	Actual	Fav (Unfav) Variance	Budget (Original/Final)	Actual	Fav (Unfav) Variance
Operating Revenue									
Charges for service	\$ 350,900	\$ 291,326	\$ (59,574)	\$ 208,780	\$ 199,213	\$ (9,567)	\$ 407,500	\$ 394,284	\$ (13,216)
Operating expenses									
Salaries and wages	101,523	98,245	3,278	55,315	57,954	(2,639)	103,062	98,537	4,525
Employee benefits	64,418	55,941	8,477	45,410	38,442	6,968	69,536	58,900	10,636
Repairs and maintenance	36,000	22,658	13,342	2,000	804	1,196	25,500	22,626	2,874
Supplies	6,500	5,901	599	9,700	6,565	3,135	4,500	3,288	1,212
Utilities	30,000	30,651	(651)	3,900	2,456	1,444	57,500	53,667	3,833
Landfill charges	-	-	-	75,000	79,681	(4,681)	-	-	-
Administrative	22,639	15,712	6,927	5,935	6,969	(1,034)	20,277	18,384	1,893
Debt service	24,205	24,201	4	14,800	14,796	4	50,110	47,276	2,834
Total operating expenses	285,285	253,309	31,976	212,060	207,667	4,393	330,485	302,678	27,807
Income from operations	65,615	38,017	(27,598)	(3,280)	(8,454)	(5,174)	77,015	91,606	14,591
Other income (expense)									
State sources	2,700	1,202	(1,498)	2,200	647	(1,553)	3,400	1,249	(2,151)
Interfund transfer in	-	-	-	2,752	-	(2,752)	-	-	-
Interfund transfer out	(65,795)	(47,661)	18,134	-	-	-	(77,897)	(101,871)	(23,974)
Interest revenue	25	717	692	25	717	692	25	717	692
Total other income (expense)	(63,070)	(45,742)	17,328	4,977	1,364	(3,613)	(74,472)	(99,905)	(25,433)
Change in net position	\$ 2,545	(7,725)	\$ (10,270)	\$ 1,697	(7,090)	\$ (8,787)	\$ 2,543	(8,299)	\$ (10,842)
Net position, beginning of year		31,888			9,849			40,281	
Net position, end of year		\$ 24,163			\$ 2,759			\$ 31,982	

See accompanying independent auditor's report

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
PENSION PLAN INFORMATION
YEAR ENDED DECEMBER 31, 2025

I. Schedules of Funding Progress

Year Ended December 31,	(a) Plan Fiduciary Net Position	(b) Total Pension Liability	(b-a) Net Pension Liability	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) Percentage of Covered Payroll
Police Pension Fund						
2025	\$ 779,734	\$ 986,849	\$ 207,115	79.01%	\$ 146,196	141.67%
2024	\$ 668,415	\$ 879,026	\$ 210,611	76.04%	\$ 136,156	154.68%
2023	\$ 581,627	\$ 833,027	\$ 251,400	69.82%	\$ 120,000	209.50%
2022	\$ 503,730	\$ 767,367	\$ 263,637	65.64%	\$ 120,000	219.70%
2021	\$ 561,797	\$ 731,601	\$ 169,804	76.79%	\$ 108,500	156.50%
2020	\$ 495,359	\$ 643,350	\$ 147,991	77.00%	\$ 104,486	141.64%
2019	\$ 443,610	\$ 617,103	\$ 173,493	71.89%	\$ 101,706	170.58%
2018	\$ 383,764	\$ 595,333	\$ 211,569	64.46%	\$ 98,450	214.90%
2017	\$ 401,179	\$ 573,268	\$ 172,089	69.98%	\$ 91,686	187.69%
2016	\$ 359,185	\$ 544,063	\$ 184,878	66.02%	\$ 96,000	192.58%

II. Schedules of Employer Contributions

Year Ended December 31,	Police Pension Fund	
	Annual Required Contributions	Percentage Contributed
2025	\$ 68,698	100%
2024	\$ 66,886	100%
2023	\$ 53,526	100%
2022	\$ 53,526	100%
2021	\$ 48,064	100%
2020	\$ 47,425	100%
2019	\$ 43,781	100%
2018	\$ 43,262	100%
2017	\$ 41,032	100%
2016	\$ 41,714	100%

The information presented in these supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Date of Actuarial Valuation	January 1, 2025
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar
Remaining Amortization Period	10 years
Asset Valuation Method	5 year smoothing
Significant Actuarial Assumptions	
Investment Rate of Return	7.0%
Projected Salary Increases	4.5%
Inflation	2.3%

See accompanying independent auditor's report

ADDITIONAL REPORTS



**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 Borough Council
Borough of Youngsville, Pennsylvania
Youngsville, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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, business-type activities and each fund of ***Borough of Youngsville, Pennsylvania*** as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise ***Borough of Youngsville, Pennsylvania's*** basic financial statements and have issued our report thereon dated April 13, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ***Borough of Youngsville, Pennsylvania'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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***Borough of Youngsville, Pennsylvania's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Borough of Youngsville, Pennsylvania'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items II.A.2025-001 and II.A.2025-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***Borough of Youngsville, Pennsylvania*** 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 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item II.B.2025-003.

Borough's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the ***Borough of Youngsville, Pennsylvania's*** responses to the findings identified in our audit described in the accompanying schedule of findings and questioned costs. ***Borough of Youngsville, Pennsylvania's*** responses were not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 result 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
April 13, 2026**

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an adverse opinion on the financial statements of the **Borough of Youngsville, Pennsylvania**, under U.S. general accepted accounting principles and an unmodified opinion on the financial statements presented under the modified cash basis of accounting.
2. Two material weaknesses relating to the audit of the financial statements are being reported in the 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*". These weaknesses are described in the accompanying schedule of findings and questioned costs as items II.A.2025-001 and II.A.2025-002.
3. There was one instance of noncompliance material to the financial statements of the **Borough of Youngsville, Pennsylvania** reported in the 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*". This instance of noncompliance is described in the accompanying schedule of findings and questioned costs as item II.B.2025-003.

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2025-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended December 31, 2025

Condition and Criteria: During the current year, the financial statements and footnote disclosures were drafted by the auditors. The inability of the Borough to prepare financial statements with full disclosures is a material weakness in the entity's internal control over financial reporting. Without this assistance, the Borough is exposed to the potential risk that the financial statements contain a material misstatement that would go undetected.

Cause and Effect: AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential exists of the Borough's financial statements not confirming with the basis of accounting as described in Note 1.

Auditor's Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the Borough should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

Borough's Response: The Borough has received, reviewed and accepted all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the Borough believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements. Lastly, the Borough considers such assistance provided by the auditors to be the most cost effective manner to prepare such information. The Borough will also ensure that in the future all transactions will be properly reflected in the accounting software.

Year ended December 31, 2024

Similar finding was reported on during the year ended December 31, 2024.

2025-002 Segregation of Duties

Year ended December 31, 2025

Conditions and Criteria: The Borough is a small office with only a few employees. In such an environment, it is difficult, if not impossible to segregate duties of the general accounting from custody and control over assets such as cash.

Cause and Effect: A fundamental element of an effective internal control system is the proper segregation of duties. Proper segregation of duties provides for a system of checks and balances and entails assigning responsibilities of authorizing and recording transactions among different people in the Borough. Generally, assigning different individuals the responsibilities of authorizing transactions, recording transactions, and maintaining custody of the related assets reduces the opportunities for any individual to both perpetrate and conceal errors or fraud in the normal course of business. A lack of segregation of duties increases the potential risk of misappropriation of assets due to fraud.

Auditor's recommendation: We recognize the Borough has attempted to segregate duties to the best of its ability. The Borough should continue to seek opportunities to segregate duties including involvement from Council Members.

II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)

A. INTERNAL CONTROL OVER FINANCIAL REPORTING (continued)

2025-002 Segregation of Duties (continued)

Year ended December 31, 2025

Borough's Response: Because of the limited number of personnel in the office, the Borough recognizes the limitations with regards to segregation of duties and therefore will consider mitigating controls. The Borough will continue to seek involvement from the Borough Council in terms of reviewing financial information.

Year ended December 31, 2024

Similar finding was reported on during the year ended December 31, 2024

B. COMPLIANCE AND OTHER MATTERS

2025-003 Loan Covenants

Year ended December 31, 2025

Condition, Criteria and Cause: The Borough has specific loan covenants associated with its debt agreement with the Pennsylvania Infrastructure Investment Authority including the requirement to furnish financial statements that are prepared in accordance with generally accepted accounting principles. Currently, the Borough maintains its books and records on the modified cash basis of accounting which is special purpose framework other than generally accepted accounting principles.

Effect: Noncompliance with this loan covenant could result in the debt becoming callable by the Authority.

Auditor's Recommendation: We recognize that the Borough has submitted its financial statements on the modified cash basis of accounting to the Authority since the inception of this debt agreement without repercussion, the Borough should consider its ramifications and consider obtaining a waiver from this requirement in writing from the Authority.

Borough's Response: Youngsville Borough will work towards obtaining a waiver from the Authority. If a waiver is not feasible, we will consider the cost/benefit to be in compliance.

Year ended December 31, 2024

Similar finding was reported on during the year ended December 31, 2024.



April 13, 2026

To the Borough Council
Borough of Youngsville
Youngsville, Pennsylvania

Ladies and Gentlemen:

Attached to this letter is a summary of additional comments, which we desire to bring to the board and management's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the office staff.

We have enjoyed working with the Borough and wish to thank all of the staff who has assisted us during the audit.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

BOROUGH OF YOUNGSVILLE, PENNSYLVANIA
SUMMARY OF ADDITIONAL COMMENTS
AS OF DECEMBER 31, 2025

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Positive Pay

The Borough should consider implementing a positive pay service from their financial institution. Positive pay is a fraud deterrent service offered by banks that allows customers to monitor and control the payment of checks. It also provides assurance that presented items have not been fraudulently altered. The customer provides the bank with an electronic listing of all disbursements. Each check presented for payment is compared to this database (check number, amount, payee, date, etc.) and any checks that do not match are placed on an exception listing. The exceptions are available to the Borough to review daily, usually online, so they can make a final determination of payment.

Below are comments that were made during the prior year audit and are continuing to be made:

Billing and Cash Receipts

Currently, the Borough has one individual who is responsible for billing and collecting water, sewer and sanitation receipts. The Borough has tried to segregate duties whereby the accounting clerk physically takes the deposits to the bank. Because one individual is responsible for billing, receiving cash, and posting it to the billing software, the Borough may be exposed to the risk of misappropriation.

One way to enhance the controls over billings and receipts could be through the review of a credit memo report from the system. A credit memo report is one that lists anytime a customer's account was credited (excluding payments) and its review could help guard against the misappropriation of a customer payment. It is our understanding that any adjustments made to the accounts are documented with detailed notes and the summary sheet of adjustments is reviewed and signed by the Borough Manager. We recommend that someone independent of the billing clerk run the adjustment report from the system and compare that to the summary sheet of adjustments that is signed by the Borough Manager as an added control.