



Strategic Management Planning Program

Steps 1 and 2

*Financial Conditions Assessment
& Financial Trend Analysis*

Final Report - September 2025



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**Department of Community
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Steps 1 & 2

Financial Condition Assessment & Financial Trend Analysis

Financial Condition Assessment & Trend Analysis	4
Methodology	5
Evaluation Questions	6
Overall Financial Health & Trends	6
Revenue Analysis	7
Expenditure Analysis	7
Forward-Looking Considerations	7
Disclosure of Data Limitations	8
Review of External Audits	9
Review of Accounting Practices	9
Revenue and Expenditure Classification	10
Personnel vs. Non-Personnel Costs	10
Banking Transactions	11
Structural Weaknesses	12
Summary Observation	12
Accounts & Funds	12
Bank Accounts & Balances	12
Fund Balance	14
Tax Revenue Anticipation Note (TAN/TRAN)	14
Chart of Accounts	14
Fund Interaction	15
Employment	16
Budget	16
Revenues	22
Assessed Value	22
Tax Revenue	22
Non-Tax Revenue	28
Budget Accuracy and Revenue Misclassifications	30
Expenditures	30
Personnel v. Non-Personnel Expenditures	37
Financial Trend Analysis	38
Surplus and Deficit	38
Excluded Data Categories: Ensuring Accuracy in Analysis	39
Baseline Revenue Assumptions	40
Baseline Expenditure Assumptions	41
Projection Methodology and Scenario Framework	42

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

Aggregate Modeling Approach	42
Revenue and Expenditure Scenario Combinations	43
Surplus and Deficit Modeling	43
Revenue Projections	44
Key Takeaways	44
Expenditure Projections	45
Key Takeaways	46
Surplus and Deficit Projections	47
Key Takeaways	48
Recommendations	49
Recommendation #1 - Conduct a Forensic Audit to Identify and Address Financial Irregularities	49
Recommendation #2 - Engage a New Independent Auditor	50
Recommendation #3 - Bid Auditor Service Bi-Annually	50
Recommendation #4 - Enhance Financial Reporting Practices	50
Recommendation #5 - Utilize QuickBooks "Class" System	51
Recommendation #6 - Integrate a Fund Accounting Platform	51
Recommendation #7 - Streamline Chart of Accounts	51
Recommendation #8 - Establish a Dedicated Library Tax	51
Recommendation #9 - Pool Funds in Interest-Bearing Accounts	52
Recommendation #10 - Implement Priority Based Budgeting	52
Recommendation #11 - Implement Cash Flow Monitoring and Monthly Budgeting in Coordination with Key Vendors	52
Recommendation #12 - Document Budgeting Process and Review Responsibilities	53
Recommendation #13 - Eliminate Reliance on Tax Anticipation Notes (TANs) and Build Financial Reserves	53
Recommendation #14 - Generate Meaningful Monthly, Quarterly & Annual Fiscal Reports	53
Recommendation #15 - Shared Fiscal Director	54
Recommendation #16 - Implement Robust Cash Handling Procedures	54
Recommendation #17 - Maximize Utility Savings Through Tax Exemption Documentation	55
Recommendation #18 - Update Borough Fee Schedule	55
Recommendation #19 - Review Payroll Third-Party Provider Services	56
Recommendation #20 - Track and Report All Employee Overtime in the General Ledger	56
Recommendation #21 - Temporarily Increase Taxes and Pursue Matching Grant Funds to Address Past Deficits	56
Recommendation #22 - Separate Dedicated Millage Revenues from the General Fund for EMS, Fire, and Library Services	57
Recommendation #23 - Continued Financial Consulting Support to Stabilize and Strengthen Fiscal Operations	57
Conclusion	58

Financial Condition Assessment

Step 1 of the STMP, the Financial Condition Assessment, involves a comprehensive review of the Borough's recent historical financial performance to establish a clear baseline. This typically includes a multi-year trend analysis (generally 3-5 years) of actual revenues by source (e.g., taxes, intergovernmental aid, charges for services) and expenditures by function or department (e.g., general government, public safety, public works). Key indicators such as fund balances (particularly the General Fund), debt levels, and comparisons of budgeted versus actual results are examined. The goal is to accurately document the Borough's current financial position and identify patterns or areas of concern based on past performance, often presented using tables, charts, and narrative analysis.

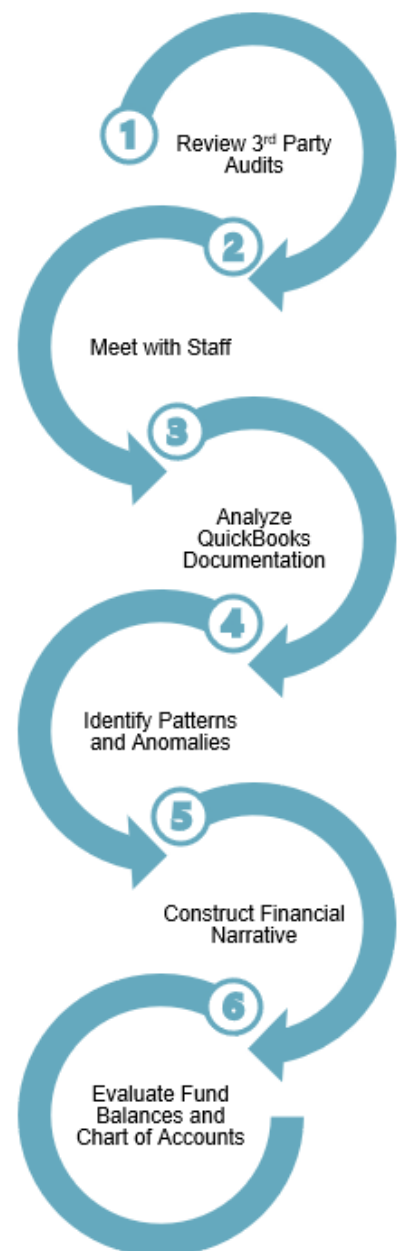
The Financial Condition Assessment provides a clear picture of Forest County's fiscal health by analyzing multi-year revenue and expenditure trends, fund balances, debt, and budget accuracy to identify patterns and areas of concern.

Methodology

To conduct a comprehensive Financial Condition Assessment and Financial Trend Analysis, Kafferlin Strategies employed a multi-step approach that combined document review, engagement with Borough staff, data analysis, and financial modeling.

The process began with a review of independent third-party audit reports to establish a foundational understanding of historical financial performance and to identify any previously noted material concerns. Meetings were held with the Borough Secretary and Assistant Secretary to gain additional context regarding internal financial operations and practices.

The Borough's QuickBooks database was extracted and analyzed using proprietary financial software, enabling the generation of detailed reports and graphical representations. These outputs were examined to identify patterns, detect anomalies, and construct a financial narrative based on historical data. Fund balances, the chart of accounts, and related financial structures were evaluated to develop an accurate and reliable baseline.



Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

Financial projections were developed using a blend of forecasting methodologies, including historical averages, national growth indicators, and custom formulas tailored to anticipated capital improvements. Operational budgets were used as the basis for calculating projected cash flow and overall financial sustainability.

This methodical approach supported the development of a comprehensive financial profile, identifying both the current fiscal condition and trends that may inform future decision-making.

Evaluation Questions

Steps 1 and 2 serve as a de facto program evaluation, clarifying the primary questions that guide an assessment of the Borough's current financial standing and future budgetary needs. This framework helps uncover trends in revenues, expenditures, debt, and fund balances, laying a foundation for data-driven policymaking. The following key questions (grouped by topic) reflect the scope of this evaluation and pave the way for strategic, forward-looking decision-making.

Overall Financial Health & Trends

- **Audits:** Are there known and/or ignored weaknesses identified by auditors that need to be dealt with?
- **Accounting:** Is the accounting software set-up properly and functionally capable of managing the Borough's finances? Is the chart of accounts helpful?
- **Multi-Year Trends:** What are the multi-year (e.g., 3–5 year) trends in the Borough's overall revenues, expenditures, and interfund transfers?
- **Fund Balance Stability:** How has the General Fund's unrestricted fund balance trended over time, and is it maintained at a healthy percentage of annual expenditures?
- **Operational Balance:** Has the Borough managed balanced operations (revenues $\geq$ expenditures), or has it frequently dipped into reserves (fund balance)?
- **Debt Structure and Capacity:** What is the Borough's current debt profile (types, outstanding principal, annual debt service) and how has it changed over the analysis period? Is there remaining debt capacity under statutory or policy limits?

Revenue Analysis

- **Primary Revenue Trends:** How have core revenue sources (Property Tax, EIT, LST, State Aid, Fees, etc.) performed—growing, stable, or declining?

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

- **Diversification:** To what extent is the Borough's revenue base diversified, or is it overly reliant on specific streams like property tax or state aid?
- **Budget vs. Actual Receipts:** Do actual collections consistently overshoot or undershoot budgeted targets for certain revenue categories?
- **Property Tax Rate Policies:** Has Council raised property taxes at a rate that aligns with historical norms, or is there a divergence?
- **Base Erosion or Growth:** Are assessed values changing in ways that significantly affect revenue (e.g., a stagnant or declining tax base)?
- **Potential Forgone Revenue:** How much revenue might the Borough have foregone in years when expenditures suggested a need for higher tax rates but none were enacted?

Expenditure Analysis

- **Major Cost Drivers:** Which expenditure categories (e.g., personnel, specific departments, capital outlay, debt service) have grown fastest over the past 3–5 years?
- **Disproportionate Growth:** Have any services or departments seen costs balloon disproportionately compared to general budget growth or peers?
- **Budget vs. Actual Spending:** Are certain departments or line items consistently over or under budget?
- **Benchmarking:** How do Borough spending levels for essential services compare to those of similar municipalities (if such data is available)?

Forward-Looking Considerations

- **Forecasting Revenue and Expenses:** Given historical patterns, how might revenues and expenditures evolve over the next 3–5 years? What scenarios could lead to shortfalls?
- **Economic and Demographic Shifts:** How might changes in property values, economic conditions, or population trends influence future revenue capacity and service demands?
- **Policy Levers:** Which strategies (e.g., gradual millage rate adjustments, economic development initiatives, service consolidation) could help mitigate potential budget gaps or debt pressures?
- **Risk Analysis:** What would happen if inflation or healthcare costs rise faster than projected? Could such scenarios require additional tax increases or service reductions?

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

- **Sustainability Thresholds:** At what point do fund balance levels or debt ratios become concerning, and how should the Borough plan to maintain prudent financial reserves?

Together, these questions form the basis for a robust evaluation of the Borough's financial health and guide projections that can inform policy choices. By examining recent trends and exploring a range of possible future conditions, decision-makers will be better positioned to align Borough resources and responsibilities with community needs.

To guide the reader through areas requiring immediate attention, this report uses color-coded callouts:



Orange → Indicates issues of critical concern, structural risk, or urgent need for corrective action.



Green → Identifies notable strengths, operational innovations, or practices that merit recognition and reinforcement.

Disclosure of Data Limitations

While this assessment was conducted with rigor and care, it is important to acknowledge the significant limitations of the financial data provided by the Borough. Information was incomplete, inconsistent, and in some cases unavailable, despite repeated requests. Much of what was received reflected outdated systems and poor recordkeeping practices, with minimal supporting documentation to validate transactions or reconcile accounts. Staff responses were often guarded, which further constrained the ability to confirm the accuracy and reliability of reported figures.

As a result, the findings and projections contained in this report are based on the best available information at the time of review, but they may not capture the full extent of past practices or liabilities. This disclosure does not diminish the urgency of addressing the issues identified - in fact, it underscores the need for stronger controls, transparent reporting, and modernized financial systems to ensure accurate and trustworthy financial management going forward.



The Borough's financial records are so incomplete, inconsistent, and unreliable that no accurate picture of past practices or current stability can be guaranteed.

Review of External Audits

A review was conducted of the Borough's independent financial audits for the fiscal years 2019 through 2023. While these audits, performed by Sharkey Piccirillo & Keen, LLP, received unmodified opinions on the regulatory basis of accounting required by the Pennsylvania Department of Community and Economic Development (DCED), they consistently received adverse opinions regarding compliance with U.S. Generally Accepted Accounting Principles (GAAP). It is important to note that GAAP for local governments is established by the Governmental Accounting Standards Board (GASB).



The Borough's 3rd party audits primarily present financial data without offering significant analysis, interpretation, or actionable management guidance.

Although the audits provide the necessary baseline data for the STMP financial condition assessment (Step 1) and indicate an improving General Fund balance trend since 2020, their strategic value is limited. The reports primarily present financial data

without offering significant analysis, interpretation, or actionable management guidance within the documents themselves. This lack of commentary and the non-compliance with comprehensive GASB standards constrain the audits' usefulness for proactive financial management and strategic decision-making. The positive fund balance trend, for instance, requires deeper investigation during the STMP process, as the drivers and sustainability are not analyzed within the audits provided.

The STMP initiative presents an opportunity for the Borough to evaluate its financial reporting practices. Consideration should be given to whether transitioning to full GAAP/GASB compliant financial statements and seeking audits that provide more robust management insights and recommendations would better support the Borough's future financial planning and oversight responsibilities, moving beyond basic regulatory compliance towards more strategic financial management.

Review of Accounting Practices

An assessment of Reynoldsville Borough's accounting practices reveals pervasive weaknesses in recordkeeping, categorization, and financial controls. The Borough's current methods fall short of even basic municipal standards, undermining transparency, accountability, and accuracy in financial reporting.

**Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025**

Revenue and Expenditure Classification

Kafferlin Strategies categorized income into seven groups (Taxes, Licenses and Permits, Fines, Miscellaneous and Interest, Reimbursements, State Aid, Transfers) and expenditures into eight groups (Administration, Police, Transfers, Facilities, Contribution, Public Works, Capital and Equipment, Other). Within these categories, multiple inconsistencies were found:

Basic expenses and revenues were misclassified across categories, with deposits credited against expenses - obscuring the Borough's true financial picture.

- Routine expenses were miscoded across categories (ex. water cooler charges allocated to "Streets" instead of appropriate departmental lines).
- Items such as payroll service invoices were improperly charged to "Office Supplies." (shown below)

405-OFFICE SUPPLIES	136.34	2/12/2025 Payroll Invoice
406-GENL. GOVT. EXP.	562.57	2/12/2025 Payroll 406-GENL. GOVT. EXP.
406-GENL. GOVT. EXP.	1,154.00	2/12/2025 Payroll 406-GENL. GOVT. EXP.

Example of an invoice incorrectly coded.

- Deposits were credited against expense lines ("cardinal sin of accounting"), obscuring true expenditure totals.

465-HEALTH/ACCD./LIFE INSURANCE (ACCD./LIFE INSURANCE)								
Check	01/02/2025	33252	THE HARTFORD	JAN	100-GENERA...	498.10	498.10	
Deposit	02/11/2025	DEP.	DEPOSIT	W/A AND S/A	100-GENERA...	-1,020.12	-522.02	
Check	03/03/2025	33280	THE HARTFORD	FEB./MARCH	100-GENERA...	1,008.83	486.81	
Deposit	03/14/2025	DEP		W/A AND S/A	106-BORO. O...	-510.06	-23.25	
Check	04/02/2025	33292	THE HARTFORD	APRIL	100-GENERA...	502.31	479.06	
Check	04/29/2025	33329	THE HARTFORD	MAY	100-GENERA...	502.31	981.37	
Deposit	05/05/2025	DEP.	DEPOSIT	WATER/SEW...	100-GENERA...	-510.06	471.31	
Deposit	06/03/2025	DEP	DEPOSIT	W/A AND S/A	100-GENERA...	-255.03	216.28	
Check	06/11/2025	33356	THE HARTFORD	JUNE	100-GENERA...	502.31	718.59	
Check	07/23/2025	33397	THE HARTFORD	JUNE	100-GENERA...	502.31	1,220.90	
Check	08/18/2025	33432	THE HARTFORD	August	100-GENERA...	502.31	1,723.21	
Total 465-HEALTH/ACCD./LIFE INSURANCE (ACCD./LIFE INSURANCE)						1,723.21	1,723.21	

Example of a deposit recorded in an expense category.

- Some accounts, like "Major Office Supplies," were inconsistently or never used, while similar expenses were scattered across unrelated lines.

**Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025**

Banking Transactions

Our review also uncovered basic procedural breakdowns:

- Fund transfers and reimbursements were not systematically documented, leaving gaps in the audit trail.

- Deposits were frequently recorded with "Deposit" as the payee, making it impossible to trace the source without manually reading memo lines.

Deposits were recorded as "Deposit" with no payee, checks remain outstanding for years, and balances are skewed by sloppy reconciliation.

- Outstanding checks from 2021 (shown below) and undeposited receipts from 2024 (also below) remain "on the books," skewing current balances.

Checks and Payments				
✓	DATE ▲	CHK #	PAYEE	AMOUNT
	10/19/2021	31545	H & H SUPPLY II, INC.	1,138.01
	11/15/2021	31573	INFORMANT TECH...	2,400.00
	09/23/2022	0051816		411.43
	11/14/2022	32095	COMCAST	677.23
	11/25/2022	32110	BRIAN SPRAGUE II	2.27
	03/13/2023	32325	JEWELL'S AUTO RE...	136.04
	04/03/2023	32351	MEGAN MILESKI	3.69
	04/10/2023	32362	S & T BANK	1,832.87
	05/24/2023	32445	EARL MUTH EQUIPM...	161.56
	09/11/2023	32580	D.D.T.A. SERVICES	60.00
	01/21/2024	32722	PA. ELECTRIC CO.	253.91
	08/19/2024	33043	VOID	450.00
	09/12/2024	33058	VOID	450.00
	10/04/2024	33090	VOID	800.00
	11/26/2024	33185	DCED - VOID	100.00
	12/16/2024	33222	VOID	450.00
	12/18/2024	0081245		654.22
	12/18/2024	0081245		396.00
	12/31/2024	0081249		105.22

Outstanding checks from 2021-2024 skew current balances, as seen in this excerpt from the Borough's QuickBooks account.

Deposits and Other Credits					
✓	DATE ▲	CHK #	MEMO	TYPE	AMOUNT
	01/04/2023	DEP.	TRANS. FOR PREM. WAGE...	DEP	3,800.00
	01/05/2024	DEP.	KEYSTONE COLLECTIONS	DEP	1,849.74

Unreconciled deposits from 2024 skew current balances.

Personnel vs. Non-Personnel Costs

Efforts to separate expenses into personnel (salaries, wages, benefits) and non-personnel (operations, maintenance, contractual services) categories revealed major inconsistencies. Payroll taxes were sometimes listed as “salaries” and other times as “benefits,” while insurance costs were scattered across unrelated line items. These misclassifications undermine the accuracy of personnel cost tracking and distort the Borough’s operational expense profile.



Inconsistent categorization of expenses has distorted Reynoldsville’s financial records, limiting transparency and making it difficult for Council and the public to fully understand how funds were managed.

Although these inconsistencies complicated the analysis, they did not prevent it. Significant time was required to reinterpret line items and piece together past practices, suggesting that financial data may have been presented

to Borough Council and the public in ways that obscured clarity, limiting transparency and accountability. Even with this effort, the analysis cannot achieve the precision possible under proper accounting standards. However, the work completed provides a foundation for developing a properly structured chart of accounts, which will enable more accurate financial tracking and reporting going forward.

Structural Weaknesses



Using broad categories like “Operations” or “Buildings and Maintenance” to record everything from insurance to streetlights obscures true costs and makes comparisons across years and departments unreliable.

Several categories, such as “Operations” or “Buildings and Maintenance,” were used as catch-alls for diverse expenses (ex. insurance, streetlights, limestone, water bills, and internet services). Without consistent definitions or rules, these practices obscure

actual costs and make both year-to-year and cross-department comparisons challenging .

Summary Observation

Taken together, Reynoldsville’s accounting practices lack uniform standards, consistent categorization, and adequate documentation. The Borough is unable to produce accurate financial reports without substantial rework and reclassification, creating risk for both internal decision-making and external accountability. These findings reinforce the need for a forensic audit and comprehensive restructuring of the Borough’s accounting system.

Accounts & Funds

The Borough utilizes QuickBooks Desktop as its primary financial management system to track its account transactions and funds. While the software contains years of financial data and has been configured to support

daily accounting functions, it is not a true fund accounting system, which presents certain limitations for municipal government operations. QuickBooks Desktop lacks key features needed for fully segregating and tracking governmental fund activity in compliance with public sector accounting standards. As a result, financial reporting, especially for grant tracking, capital project funds, and restricted revenue streams, may require additional manual processes or supplementary spreadsheets to ensure accuracy and transparency. Transitioning to or integrating with a fund accounting platform could improve reporting capabilities and help align financial practices more closely with generally accepted standards for municipalities.

QuickBooks Desktop lacks key features needed for fully segregating and tracking governmental fund activity in compliance with public sector accounting standards.

Bank Accounts & Balances

The Borough has a General Fund with Farmers National Bank, along with 11 accounts with banking institutions, as of April 2025.

Table 1 - Borough Bank Accounts

Institution	Fund Name	Type	Account	Interest Rate	Balance at 12/31/24
Farmers ^	General Fund	Checking	2887	.02%	\$24,826.55
Farmers	Police Fund	Savings	6234	.04%	\$3,055.22
Farmers	Sinking Fund	Savings	5229	.04%	\$9,103.76
Farmers	Marcellus Shale Fund	Savings	5088	.04%	\$7,633.37
Farmers	Motor License Fund	Savings	8603	.04%	\$8,071.60
Farmers	Gibbons Escrow	Savings	1496	.04%	\$8004.79*
FCB	TRAN	Loan	7-001	5.15%	(\$100,000)*
S&T	Excavator	Loan	206	5.14%	(\$52,734.43)
S&T	Equipment Building	Loan	203	2.94%	~(\$9,055.05)
S&T	Line of Credit	Credit	NA	9.0%	~(\$61,300)
FNB	Truck Loan	Loan	4629-002	5.4%	(\$53,615.06)

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

^ The Borough is transitioning to First Commonwealth Bank

* The balance date as of 03/31/25 (12/31/24 bank statements not easily found)

~ The loans are being refinanced through First Commonwealth to a fixed interest of about \$170,000.

The Borough's accounts have minimal balances and historically the Borough has had alarmingly low cash balances, leading to withholding payments in accounts payable, etc. The Borough also has to regularly draw a Tax Anticipation Note (TAN), which is understandable, but demonstrates that the borough is operating month to month.

One complication of not using a fund accounting system is that the bank accounts are segregated cash accounts which minimizes the interest capability, disables the ability to have a (temporary) negative balance, and forces interfund transfers (due-to, due-froms) which just make it hard to track the money.

Fund Balance

An analysis of the Borough's General Fund balance over the past five years reveals a significant improvement from critically low levels at year-end 2019 (\$11,204) and 2020 (\$5,949). The balance recovered substantially by year-end 2021 (\$36,530) and settled at \$84,383 by year-end 2022 and \$82,498 by year-end 2023. While this recovery is a positive development, the year-end 2023 balance of \$82,498 remains relatively low when compared to common fiscal health benchmarks (e.g., representing only roughly 1-1.5 months, or 8-10%, of typical annual General Fund operating expenditures). This level, which could be considered negligible in terms of providing a robust cushion, leaves the Borough vulnerable to unanticipated revenue shortfalls or expenditure needs and likely contributes to the requirement for annual cash flow borrowing via TANs. Building a stronger fund balance is a key objective for improving long-term financial stability.

Tax Revenue Anticipation Note (TAN/TRAN)

The Borough utilizes a Tax Anticipation Note (TAN), reportedly in the amount of \$100,000, for short-term cash flow management. TANs are commonly used by municipalities to cover operating expenses during periods early in the fiscal year before substantial property tax revenues are collected. This borrowing is typically repaid within the same fiscal year upon receipt of those tax revenues. The consistent need for such short-term borrowing, however, often indicates constrained cash flow and minimal readily available operating reserves within the General Fund.

Chart of Accounts

A review of the Borough's current chart of accounts indicates opportunities for structural improvements to enhance financial reporting and analytical capabilities. The existing numbering system appears somewhat arbitrary, limiting the ease of generating departmental or functional reports. Implementing the following recommendations would significantly strengthen the Borough's accounting framework:

The Borough's Chart of Accounts uses an arbitrary numbering system making it challenging to generate departmental or functional reports.

- **Adopt a Structured Chart of Accounts:** Implement a more organized chart of accounts, aligned with the standard DCED numbering system while incorporating logical sub-categories (e.g., a 4-digit system differentiating revenues, expenses, and departments) to provide a clearer framework.
- **Utilize QuickBooks "Class" System:** Leverage the "classing" feature within QuickBooks accounting software to enable more robust departmental and fund reporting and enhance accountability. This allows tracking of activity between different departments within the same fund and supports departmental planning based on historical spending patterns.
 - **Recommended Initial Class Structure:**
 - General Government (GEN)
 - Police Department (POLICE)
 - Fire Department (FIRE)
 - Public Works (PW)
 - Tax Collection (TAX)
 - Employee Benefits (BENEFITS)
 - Other (OTHER)
 - Transfers (TRANS)

Addressing these structural changes and the specific items noted below would facilitate more logical grouping of accounts, simplify the generation of management reports, ensure greater consistency year-over-year, and improve overall user understanding of the Borough's financial data.

- **Specific Items Noted for Review/Correction:**
 - Review potential duplicate account names.
 - Provide better departmental definitions/allocations for certain accounts (e.g., SEW Maintenance, RRC wages).

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

- Ensure balance sheet accounts (like Cash) do not appear on revenue/expense reports.
- Standardize sub-account numbering (e.g., for Fines).
- Avoid using personal names or unnecessary taxing body details in account titles.
- Correct potential misclassification of liability accounts listed as expenses (e.g., 231, 252).
- Clarify the use of "major" in account descriptions; consider using "capital" if appropriate.

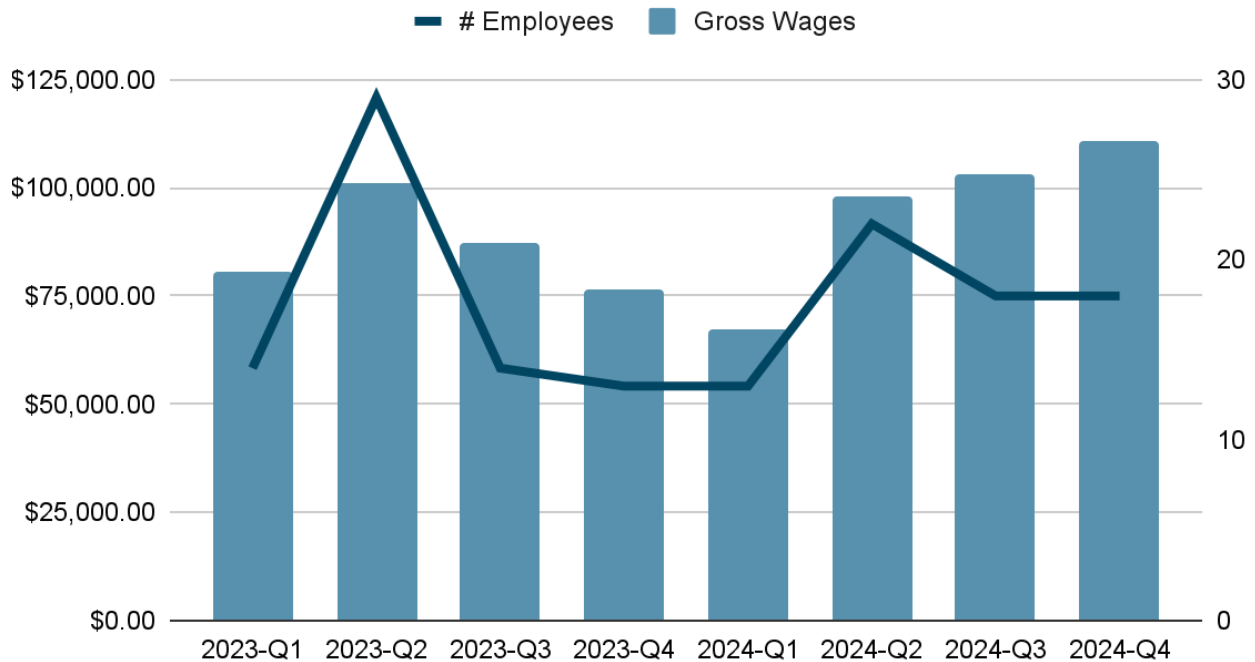
Fund Interaction

The General Fund is the primary revenue and expense account. It is the only account that has checks printed. The other funds reimburse the general fund.

Employment

The Borough maintains a base workforce of approximately 18 employees, which includes full-time and part-time positions essential to daily municipal operations. However, the total number of employees and associated wage expenditures fluctuate throughout the year due to the seasonal nature of certain positions. Notably, the Borough hires additional temporary staff during the summer months to support operations at the community pool and employs school crossing guards during the academic year to ensure student safety. These seasonal roles, while temporary, are critical to the Borough's ability to provide essential services and maintain quality of life for residents. As such, workforce planning must account for both core staffing needs and the predictable increases in personnel tied to seasonal demand.

Figure 1 - Employees and Wages by Quarter



Budget

The Borough's current annual budgeting process involves the Administrative Assistant preparing a draft budget based largely on historical data, which is then presented to Council in the fall for input and typically approved in December. A balanced budget must be adopted before the start of the fiscal year, and the approved figures are entered into the QuickBooks Desktop accounting system for comparison purposes throughout the year.

The Borough's current budget process lacks formal cash flow budgeting and does not incorporate a Capital Improvement Plan, despite significant identified capital needs across various Borough assets and infrastructure.

While experienced staff leverage historical information in budget preparation, the process is predominantly incremental, with budgets often adjusted year-over-year rather than being built based on strategic priorities. Notably, the current process lacks formal cash flow budgeting and does not incorporate a Capital Improvement Plan (CIP), despite significant identified capital needs across various Borough assets and infrastructure. This absence of long-term capital planning and priority-based operational budgeting presents challenges for strategic resource allocation.

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

To enhance financial management and planning capabilities, transitioning to a more comprehensive budgeting approach is recommended as part of the STMP. This involves several key components:

- Beginning with a priority-based planning process to guide resource allocation;
- Developing a detailed operational budget, ideally structured using departmental classifications (such as QuickBooks classes) for better tracking and analysis;
- Creating a multi-year Capital Improvement Plan (CIP) that identifies, prioritizes, and schedules major capital projects and acquisitions, which then informs an annual capital budget; and
- Incorporating regular cash flow budgeting and forecasting to manage liquidity effectively. Adopting this comprehensive approach would provide Council and staff with better tools for strategic decision-making, ensure spending aligns with Borough priorities, and support long-term financial sustainability.

Staff prepared a 2025 proposed balanced budget of approximately \$1,000,000, which was not finally adopted by Borough Council but serves as an example of where the Borough staff believe the budget should be. Table 2 below shares the Borough's 2025 *Proposed* Operating Budget. The final adopted plan is along with the 2024 budget and actuals for comparison are below.

Table 2 - Operating Budget Comparison

Income	2024 Budget	2024 Actual	2025 Proposed	2025 Adopted
303-R/E TAX-CURRENT-Burkett (REAL ESTATE TAX-CURRENT)	417,000.00	401,538.51	438,000.00	438,000.00
306-R/E TAX-DEL.-Jeff.Cty. (REAL ESTATE TAX-DELINQUENT)	20,500.00	22,361.54	25,000.00	25,000.00
307-PUB. UT. REALTY TAX-State (PUBLIC UTILITY REALTY TAX)	700.00	672.91	1,000.00	1,000.00
312-R/E TRANS. TAX-Bullers (REAL ESTATE TRANSFER TAX)	13,000.00	25,873.24	28,000.00	28,000.00
313-EARN. INC. TAX-Keystone (EARNED INCOME TAX)	225,000.00	225,758.47	230,000.00	230,000.00
314-O/A & P/C-CURRENT-Burkett (OCCUP. ASSESS. TAX-CURRENT)	30,000.00	46,933.41	47,000.00	47,000.00
317-DEL. TAXES/FEES-Dixon (OCCUP. ASSESS./PER CAPITA TAXES)		888.91		
318-LST TAX-Keystone (EMS TAX)	23,000.00	26,666.51	27,500.00	27,500.00
320-BEV. LICENSE (BEVERAGE LICENSE)	1,700.00	1,500.00	1,500.00	1,500.00
323-EXCAV. AND/BLDG. PERMITS (EXCAVATION PERMITS AND BLDG. PERMITS)	3,000.00	406.88	500.00	500.00
326-FINES-REYN. P.D.				11,000.00
326.1-DEL. TAX FINES-Dixon		29.10		
326.2-STATE POLICE FINES		506.94		
326-FINES-REYN. P.D. - Other	14,000.00	6,957.46	11,000.00	
Total 326-FINES-REYN. P.D.	14,000.00	7,493.50		
327-INT. EARNED-GENL. FUND (INTEREST EARNED-GENL. FUND)	75.00	30.37	300.00	300.00
330-PMT. IN LIEU OF TAXES (PAYMENT IN LIEU OF TAXES)	3,600.00	3,173.92	3,500.00	3,500.00
331-TV CABLE RECEIPTS-Comcast (TV CABLE RECEIPTS)	40,000.00	32,691.27	34,000.00	34,000.00
333-MISC. RECEIPTS (MISCELLANEOUS RECEIPTS)	2,500.00	3,689.35	3,000.00	3,000.00
334-TRANS. FROM/TO MLF (TRANSFER FROM MOTOR LIC. FUND)	93,000.00	100,111.24	84,000.00	84,000.00
336-TRANS. TO/FROM MAR. SHALE	3,000.00	0.00	6,500.00	6,500.00
338-PARKING FEE-MAINT. BLDG.	600.00	775.00	800.00	800.00
340-VACANT HOUSE REVENUE	4,000.00	1,600.00	15,000.00	15,000.00
341-GAMES OF SKILL			16,000.00	16,000.00
350-ATV/UTV PERMITS	1,000.00	775.00	1,000.00	1,000.00
			0.00	

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

367-PENSION STATE AID	33,000.00	37,749.33	38,000.00	38,000.00
397-AMERICAN RESCUE PLAN MONIES		8,318.67		
CASH BALANCE-12/31/2024	12,000.00	0.00		39,661.00
Total Income	940,675.00	949,008.03	1,011,600.00	1,051,261.00
Expense				
231-SPEC EVENT (AFLAC INSURANCE)		-22.40		
252-POLICE UNION DUES		-739.00		
400-COUNCIL EXP. (COUNCIL EXPENSE)	3,500.00	3,458.39	3,500.00	3,500.00
401-MAYOR'S EXP. (MAYOR'S EXPENSE)	540.00	540.00	500.00	540.00
402-WAGES-ASSISTANT SECRETARY (PART TIME SECRETARY)	5,000.00	12,848.80	13,500.00	13,500.00
403-WAGES-ADMIN. ASST.	59,000.00	64,938.48	60,000.00	60,000.00
404-MAJOR OFC. SUPP. (MAJOR OFFICE SUPPLIES)	1,500.00	1,048.90	1,500.00	1,500.00
405-OFFICE SUPPLIES	5,745.00	10,216.02	7,500.00	7,500.00
406-GENL. GOVT. EXP. (GENERAL GOVERNMENT EXPENSE)	23,000.00	40,002.49	31,000.00	31,000.00
407-ADVERTISING EXP. (ADVERTISING EXPENSE)	1,300.00	1,861.82	1,700.00	1,700.00
409-AUDITING FEES (AUDITING FEES)	7,000.00	6,425.00	7,000.00	7,000.00
410-SOLICITOR'S FEES (SOLICITOR'S FEES)	7,000.00	14,184.75	12,500.00	12,500.00
411-OFC. TELEPHONES (OFFICE TELEPHONES)	2,500.00	2,575.78	4,500.00	4,500.00
412-LOCAL TAX COLL. FEE (LOCAL TAX COLLECTION FEE)	17,000.00	17,563.31	19,500.00	19,500.00
414-TAX COLL. MATERIALS (TAX COLLECTION MATERIALS)	1,800.00	1,937.84	2,200.00	2,200.00
415-TRANSFER TO SINKING FUND (TRANSFER TO SINKING FUND)				33,000.00
416-WAGES-JANITOR (WAGES-JANITOR)	3,500.00	3,540.00	3,500.00	3,500.00
417-SUPPLIES-BLDG. (SUPPLIES-BUILDING)	1,700.00	863.30	1,500.00	1,500.00
418-LIGHT/HEAT-BLDG. (LIGHT/HEAT TO BUILDING)	8,000.00	8,131.54	8,000.00	8,000.00
419-MAINT.-BLDG. (MAINTENANCE TO BUILDING)	5,000.00	9,143.05	6,000.00	6,000.00
421-WAGES-DTF-T MURRAY	55,000.00	-1,105.33		
421.21-WAGES-T MURRAY		56,828.41	62,000.00	62,000.00
				15,000.00

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

422-WAGES-PART TIME POLICE (PART TIME POLICEMEN)	20,000.00	23,175.37	26,000.00	11,000.00
423-CODE ENFORCE. OFCR. (CODE ENFORCEMENT OFFICER)	19,000.00	12,435.00	16,000.00	16,000.00
424-WAGES-SCHOOL PATROL (WAGES-SCHOOL PATROL)	4,000.00	7,352.42	13,500.00	13,500.00
425-OFC. SUPP.-POLICE (OFFICE SUPPLIES-POLICE)	2,000.00	1,593.42	2,000.00	2,000.00
426-UNIFORMS/SHOES-POLICE (UNIFORMS/SHOES-POLICE)	800.00	2,608.55	2,400.00	2,400.00
427-MISC. EXP.-POLICE (MISCELLANEOUS EXPENSE-POLICE)	4,000.00	3,833.54	7,000.00	7,000.00
427.1 MAJOR POLICE SUPPLIES	1,500.00	540.00	1,000.00	1,000.00
428-COMM.-POLICE (COMMUNICATIONS-POLICE)	4,000.00	5,046.52		
429.1-MISC. EXP.-CODE ENF.			500.00	500.00
430-MAINT.-POLICE CAR (MAINTENANCE-POLICE CAR)	2,500.00	1,277.15	3,000.00	3,000.00
431-GASOLINE-POLICE (GASOLINE-POLICE)	2,000.00	1,785.20	2,500.00	2,500.00
432-TIRES-POLICE (TIRES-POLICE)	600.00	0.00	2,000.00	2,000.00
436-FIRE DEPT. ALLOC. (FIRE DEPARTMENT ALLOCATIONS)	20,000.00	20,000.00	20,000.00	20,000.00
437-FIRE DEPT RELIEF AID		0.00		
438-HYDRANT EXP. (HYDRANT EXPENSE)	3,500.00	0.00		
440-WAGES-OPERATOR-J. WEYANT (WAGES-OPERATOR)	42,000.00	40,892.80	42,000.00	42,000.00
441-WAGES-FOREMAN-G. TROUTMAN (WAGES-FOREMAN)	49,000.00	47,964.80	49,000.00	49,000.00
442-WAGES-LABORER-D. DIXON	36,000.00	26,448.80	36,000.00	36,000.00
442.1-OVERTIME-STREET		1,928.07		
443-LIGHT/HEAT-MAINT. BLDG. (LIGHT/HEAT-MAINTENANCE BLDG.)	5,000.00	4,373.91	5,000.00	5,000.00
444-MATERIALS-STs. (MATERIALS-STREETS)	51,800.00	128,370.42	15,770.00	15,770.00
445-MISC. EXP.-STREET	8,000.00	6,405.73	8,000.00	8,000.00
446-COMM.-STREET (COMMUNICATIONS-STREET)	2,800.00	3,070.76	2,900.00	2,900.00
447-MAINT./REP.-TRUCKS/EQUIP. (MAINT./REPAIR-TRUCKS/EQUIP.)	39,000.00	39,587.92	40,000.00	40,000.00
448-TIRES-STREET (TIRES-STREET)	8,000.00	1,304.00	8,000.00	8,000.00
449-GASOLINE-STREET (GASOLINE-STREET)	14,000.00	12,715.58	13,000.00	13,000.00
450-CLOTHING EXP.-STREET (CLOTHING EXPENSE-STREET)	2,000.00	1,997.69	2,000.00	2,000.00
452-SNOW REMOVAL (SNOW REMOVAL)	15,000.00	10,817.54	13,000.00	13,000.00
453-SIGNS (SIGNS)	1,000.00	212.64	1,000.00	1,000.00
454-ST. LIGHTING (STREET LIGHTING)	43,000.00	40,703.81	42,000.00	42,000.00

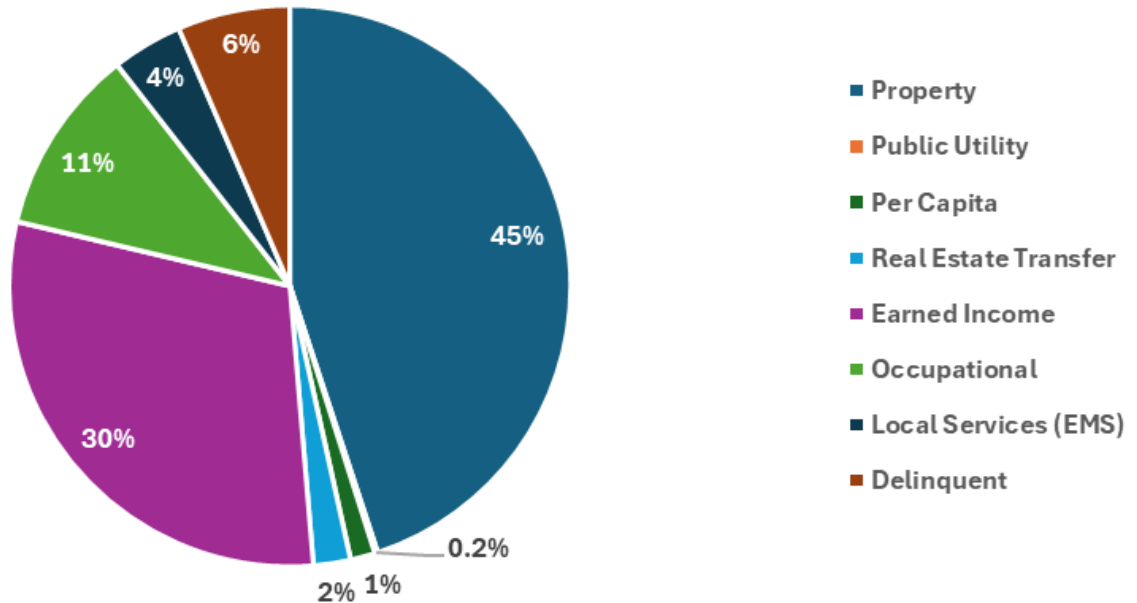
Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

455-MAINTENANCE-PLAYGROUND (MAINTENANCE PLAYGROUND)		64.33		
456-MAINT.-TRAF. SIGNALS (MAINTENANCE-TRAFFIC SIGNALS)	1,000.00	0.00	1,000.00	1,000.00
457-CONTRIBUTIONS-SOLID WASTE	1,000.00	1,400.00	1,000.00	1,000.00
458-CONTRIBUTIONS-AMBULANCE	10,000.00	10,000.00	10,000.00	10,000.00
459-CONT.-SWIMMING POOL	6,000.00	6,000.00	6,000.00	6,000.00
460-CONT.-LIBRARY (CONTRIBUTIONS-LIBRARY)	3,500.00	3,500.00	3,500.00	3,500.00
462-MAINT.-FLOOD CONT. (MAINTENANCE-FLOOD CONTROL)	5,000.00	0.00	2,000.00	2,000.00
464-SOC. SEC.-BOROUGH (SOC. SEC.-BOROUGH)	20,000.00	22,013.86	20,000.00	20,000.00
465-HEALTH/ACCD./LIFE INSURANCE (ACCD./LIFE INSURANCE)	2,800.00	2,954.96	3,500.00	3,500.00
466-HOSPITALIZATION (HOSPITALIZATION)	74,582.00	99,442.90	122,260.00	122,260.00
467-PSAB U/C (PSAB U/C-BOROUGH)	6,100.00	3,158.57	5,000.00	5,000.00
468-INSURANCE (INSURANCE)	72,000.00	78,080.40	75,000.00	85,000.00
469-LOAN-EQUIP./MAINT. FURNACE	6,900.00	6,924.89	6,900.00	6,900.00
470-LINE OF CREDIT	12,000.00	-33,500.00	18,000.00	18,000.00
471-LOAN-EXCAVATOR	16,800.00	11,151.79	16,800.00	16,800.00
472-SEW. MAINTENANCE/MATERIALS	12,000.00	12,517.42	14,000.00	14,000.00
473-LOAN-2024 CHEVY TRUCK		1,957.66	7,846.00	7,846.00
474-MED.-BOROUGH (MEDICARE-BOROUGH)	4,500.00	5,148.42	5,000.00	5,000.00
488-MMO POLICE PENSION	62,128.00	51,413.00	51,465.00	51,465.00
489-MMO NON-UNIFORMED PENSION	15,780.00	20,976.06	19,480.00	19,480.00
495-RRC WAGES		0.00		
VOID		1,800.00		
Total Expense	940,675.00	1,005,687.05	1,008,221.00	1,051,261.00
	0.00	-56,679.02		0.00
	0.00	-56,679.02		0.00

Revenues

Two-thirds of the borough's revenue comes from real estate taxes and earned income tax.

Figure 2 - 2019-2024 - Actual Tax Revenue



Assessed Value

About one third of the Borough's tax revenue is derived from real estate property tax. The County Tax Assessment office was able to provide the last forty-five years of millage rates.

Tax Revenue

Property taxes account for roughly one-third of the Borough's total annual revenue, making them the single largest primary source of funds. The last county-wide property reassessment took place in the 1970s, so the assessed values on which these taxes are based remain largely out of date. This section reviews the Borough's real estate tax rates from 1980 to the present and offers projections into the coming decade to help the governing board anticipate future financial needs.



Property taxes account for roughly one-third of the Borough's total annual revenue, making them the single largest primary source of funds. However, assessed values on which these taxes from 1970 and are largely out of date.

Property taxes function by applying a millage rate - a certain amount of tax per thousand dollars of assessed property value - to each parcel in the Borough. When a community

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

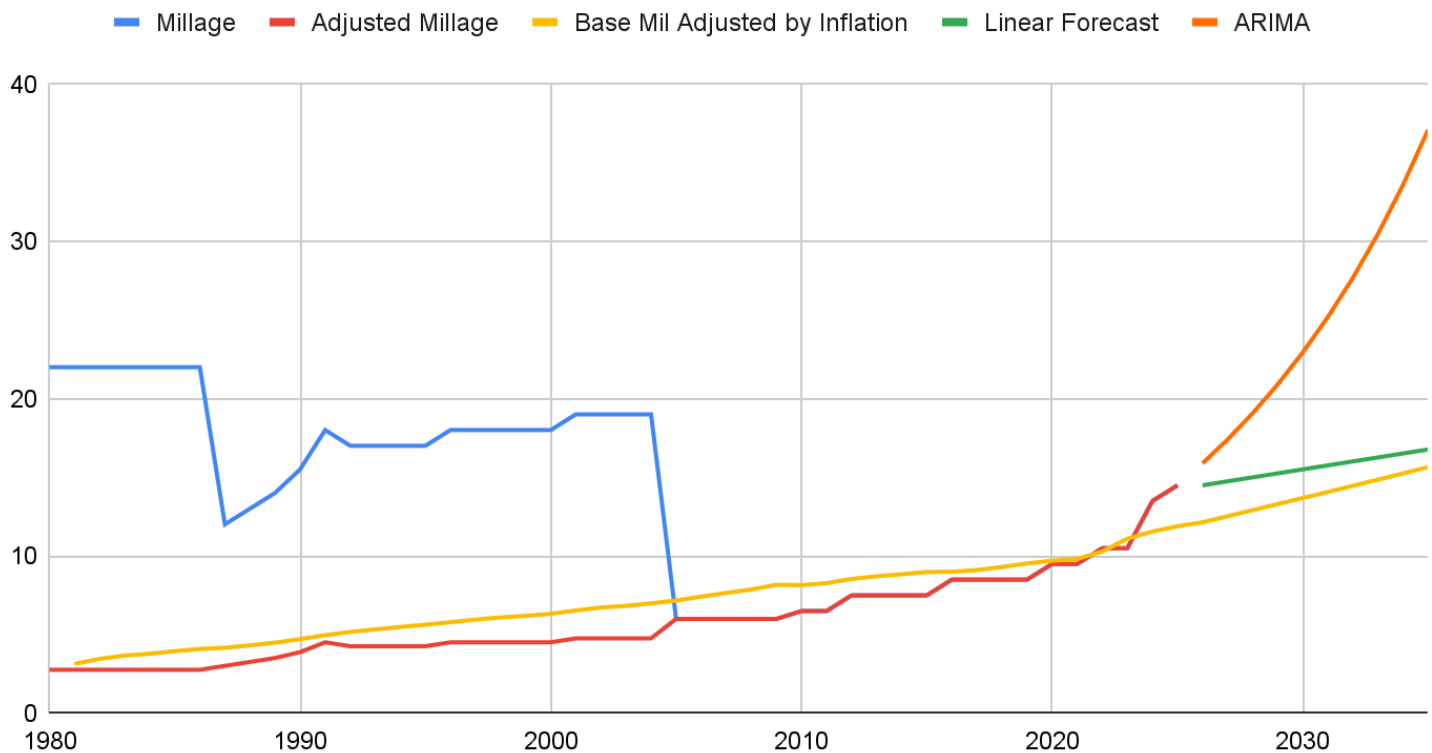
experiences new construction or substantial increases in property values (collectively referred to as “Total Assessed Value” or TAV), it often can maintain or even reduce its tax rate, since the tax load is shared across a broader and more valuable base. By contrast, the Borough has not

With property assessments frozen since the 1970s, Reynoldsville's tax base has steadily lost buying power, leaving today's revenues struggling to keep pace with the community's needs.

seen evidence of a significant change (up or down) in its TAV, partly owing to the existing stock of older properties. As a result, the Borough's reliance on real estate tax increases is likely to remain high if it needs to fund ongoing or expanded services in the future.

Figure 3 - Adjusted Millage vs. Accumulated Inflation

1980 to 2025 Actual, 2026 on using ARIMA



The chart depicts several lines showing how the Borough's millage rates have evolved, how they compare to inflation-adjusted levels, and how they might trend in the future. First, it shows the historical (actual) millage rates in two stages. The early segment (blue) transitions to a red line to reflect an adjusted millage rate - this adjustment accounts for changes in the County's pre-determined ratio over time, thereby putting the millage values onto a consistent basis.¹

¹ An ARIMA model was employed to forecast the Borough's millage rates. ARIMA, which stands for "Auto-Regressive Integrated Moving Average," is a standard statistical technique used to analyze and project time-series data—information recorded in sequence over regular intervals. This method

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

Next, a yellow line illustrates a hypothetical scenario that begins in 1980 at the then-current millage and increases purely with inflation each year. That line continues forward a decade more using Federal Reserve estimates of future inflation rates. The vertical gap between the red line (actual adjusted millage) and the yellow line (inflation-tracked millage) underscores the foregone buying power - namely, the shortfall in revenue that arises because actual millage rates did not keep pace with inflation. In effect, if the Borough needed the same level of services as in 1980, the difference between these lines represents the hundreds of thousands of dollars that were not collected over the years, contributing to the Borough's current tight cash situation. This shortfall is exacerbated by the fact that some municipal expenses, such as healthcare costs, have risen faster than general inflation.

Two additional forecasts appear in the chart. A green line projects millage based on a simple linear forecast of the overall historical dataset, anchored to the most recent year. This approach is thought to provide a relatively realistic progression. Meanwhile, an

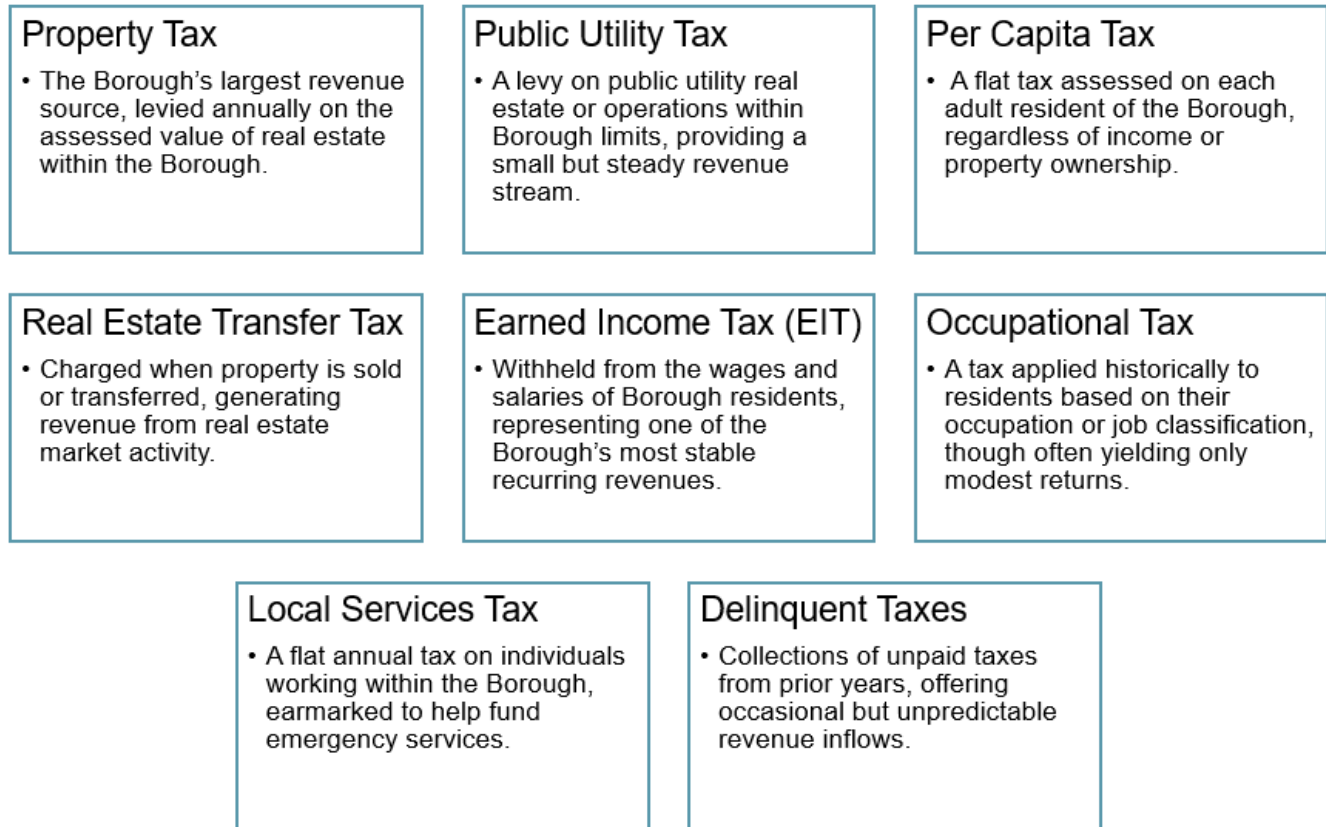
While the ARIMA forecast shows a steep climb in millage rates, this trajectory is unlikely to be politically or legally feasible, making it more of a cautionary scenario than a realistic path forward.

ARIMA-based forecast (extending to 2035) is also shown. ARIMA (Auto-Regressive Integrated Moving Average) is a time-series methodology that looks for trends and patterns in the data - such as steady growth, jumps, or correlations - and attempts to project those patterns forward. However, because the Borough's tax rates have undergone sharp increases in the most recent years, the ARIMA model yields a comparatively steep trajectory. This steepness likely overstates near-term possibilities, as it reflects large, recent jumps that may be neither politically nor legally feasible to replicate every year. As a result, the ARIMA forecast is best viewed alongside the other lines to understand the range of potential outcomes rather than as a firm prediction of future millage levels.

For budgeting and financial management purposes, taxes in Reynoldsville are classified into the following types:

detects patterns in historical data, such as upward or downward trends and year-to-year fluctuations, and extrapolates them to estimate future values. For this analysis, a log transformation was applied to the Borough's tax rates before fitting the model. Working with the data in a logarithmic scale allows for capturing average percentage changes, rather than simple linear increases, which is often more appropriate for financial or economic metrics that grow in a compounding fashion. The fitted ARIMA model then produces a central forecast of millage rates for each future year and includes a range of likely outcomes (the confidence interval) to reflect the inherent uncertainty in any projection. This combination of a forecast and an uncertainty range provides Borough officials, residents, and other stakeholders with a data-driven basis for planning and decision-making, while acknowledging that actual results may vary if future conditions differ substantially from historical trends.

Figure 4 - Borough Tax Classifications



Property, per capita, and occupational taxes are further divided into current year and delinquent taxes, but for the purposes of analysis, the delinquent are combined into one tax type, which simplifies the analysis and reflects current budgeting and financial management practices.

Taxes constitute approximately 75% of all income in Reynoldsville per year. Other than taxes, Reynoldsville has six other income types. They are:

**Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025**

Figure 5 - Other Income Types

Licenses and Permits Revenue collected from fees for activities such as building, occupancy, and other permits, along with business and franchise licenses.	Fines Income from penalties levied for code violations, parking tickets, and other infractions enforced by the Borough.	Miscellaneous and Interest A catch-all category that includes bank account interest and other irregular or nonrecurring income sources.
Reimbursements Funds repaid to the Borough for expenses it initially covered, such as shared service costs or insurance reimbursements.	State Aid Allocations from the Commonwealth, such as pension contributions and payments in lieu of taxes, that supplement local revenue.	Transfers Internal movements of funds between Borough accounts, often including allocations from special revenue sources like Liquid Fuels or federal programs such as American Rescue Plan Act (ARPA) funds.

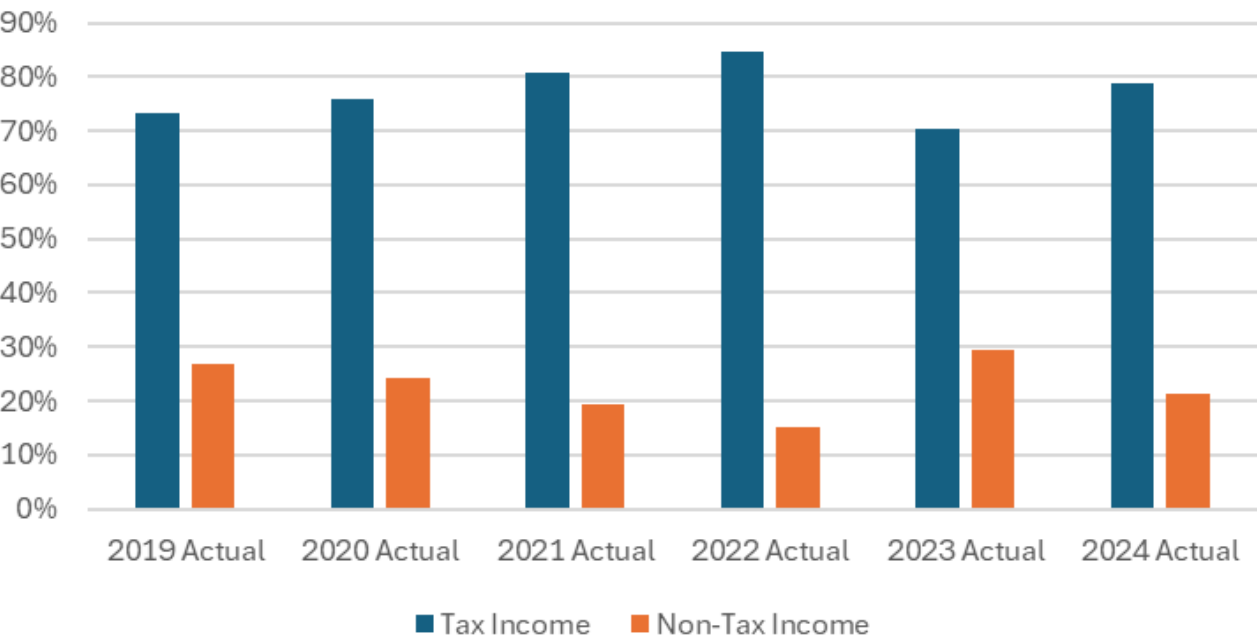
The below table demonstrates actual income from 2019 to 2024 by type.

Table 3 - Operating Budget Comparison

Income Category	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Taxes	\$617,802.77	\$639,451.92	\$663,479.77	\$702,789.17	\$708,781.71	\$732,163.38
Licenses and Permits	\$44,470.68	\$47,620.13	\$48,336.36	\$57,997.72	\$42,553.00	\$37,748.15
Fines	\$8,596.65	\$14,088.39	\$9,585.67	\$9,164.03	\$10,665.73	\$6,957.46
Miscellaneous and Interest	\$5,079.42	\$306.46	\$2,219.12	\$10,256.41	\$3,375.59	\$3,711.65
Reimbursements	\$915.98	\$2,490.00	\$ -	\$ -	\$10,741.20	\$ -
State Aid	\$41,536.25	\$37,318.45	\$27,346.57	\$18,720.47	\$32,691.00	\$40,923.25
Transfers	\$125,882.29	\$101,914.74	\$71,048.15	\$29,764.37	\$196,837.69	\$108,429.91
Total	\$844,284.04	\$843,190.09	\$822,015.64	\$828,692.17	\$1,005,645.92	\$929,933.80

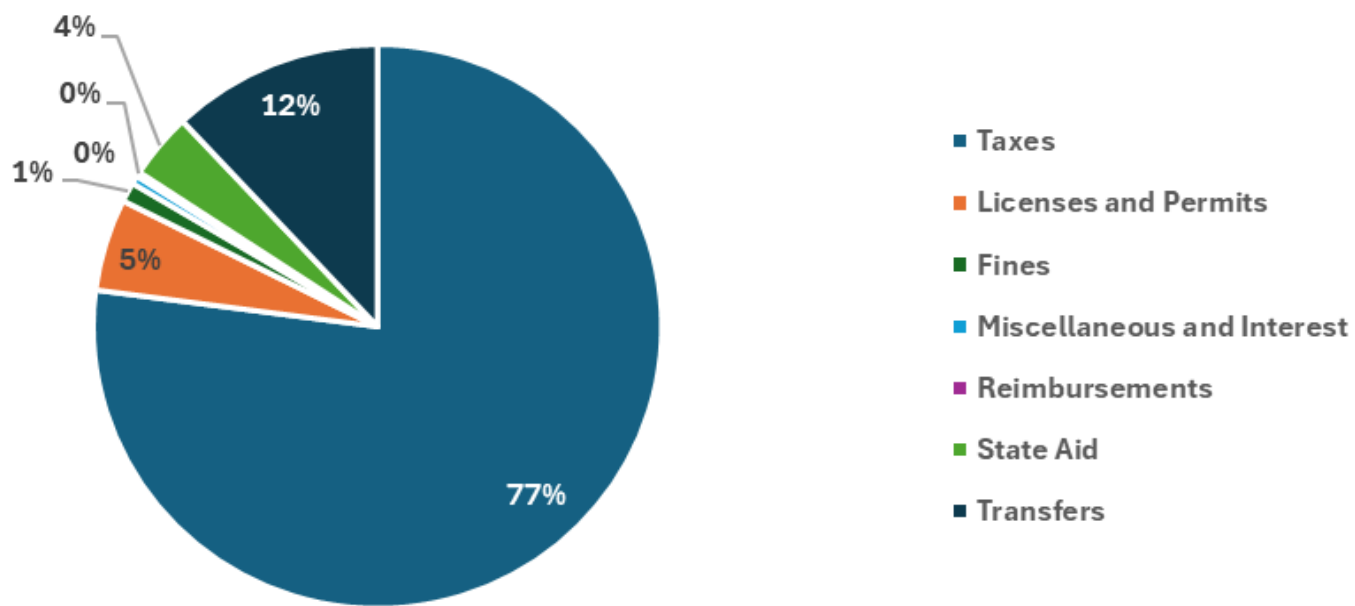
The below chart demonstrates tax and non-tax revenue as a percentage of all tax revenue.

Figure 6 - Tax vs. Non-Tax Income



To further understand the relationship between revenue sources, the below graphic calculates all revenue sources from 2019 to 2024 and displays each revenue source’s respective percentage of total revenue.

Figure 7 - 2019-2024 Actual Revenue



The below table demonstrates actual income from 2019 to 2024 by tax. As demonstrated, property taxes are the largest source of tax revenue each year, typically representing approximately 40% of tax revenue.

**Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025**

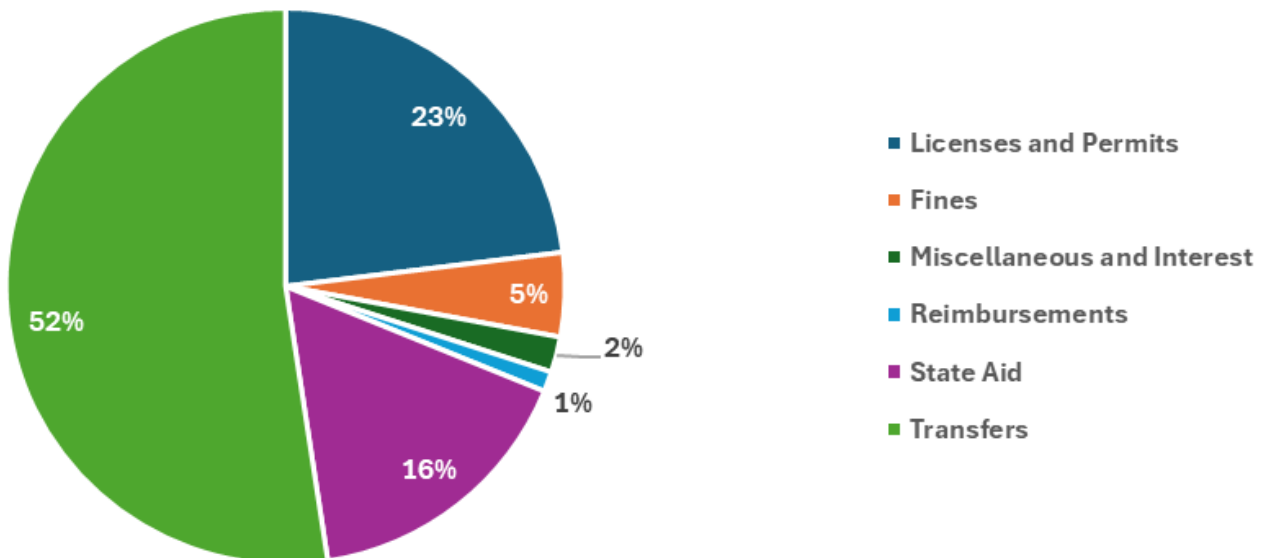
Table 4 - Actual Income - 2019-2025

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual
Property	\$247,010.60	\$277,116.53	\$281,442.27	\$302,817.76	\$316,736.69	\$401,538.51
Public Utility	\$551.19	\$4,238.20	\$632.84	\$666.28	\$ -	\$672.91
Per Capita	\$12,483.98	\$11,319.80	\$12,142.00	\$10,468.80	\$11,290.11	\$ -
Real Estate Transfer	\$7,244.21	\$6,842.27	\$16,911.11	\$17,182.30	\$12,574.25	\$25,873.24
Earned Income	\$191,718.80	\$178,873.37	\$184,130.05	\$216,033.69	\$235,084.51	\$214,858.47
Occupational	\$74,744.02	\$74,145.98	\$81,452.77	\$82,145.08	\$77,764.28	\$46,933.41
Local Services (EMS)	\$33,305.67	\$25,401.06	\$25,292.88	\$27,105.42	\$27,580.62	\$26,666.51
Delinquent	\$50,744.30	\$61,514.71	\$61,475.85	\$46,369.84	\$27,751.25	\$15,620.33

Non-Tax Revenue

As shown below, approximately 50% of all non-tax revenue is derived from transfer, with licenses and permits constituting the second largest category, at approximately 25%.

Figure 8 - 2019-2024 Actual Non-Tax Revenue



Revenue from transfers comes from a variety of sources, including Liquid Fuels funds, the sinking fund, Marcellus Shale, and transfer from federal ARPA funds, which were originally awarded in 2021 and have already been received by Reynoldsville. ARPA funds must be fully expended by 2026.

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

Licenses and permits generate revenue from several different sources, including beverage licenses, excavation permits, parking permits, code and inspection fees, and ATV/UTV permits. Many of these revenue sources generated only a couple hundred to a couple thousand dollars per year. The largest source of revenue under this category is Comcast franchise fee, which generates approximately \$40,000 annually.

Lastly, state aid is the third largest source of non-tax revenue, at approximately 15% annually. It is divided into two subcategories: state payment in lieu of taxes and the state's contribution to Reynoldsville pension fund.

To better illustrate Reynoldsville Borough's revenue reliability, the following table compares actual revenues against budgeted amounts by category and year. To make patterns easy to spot, a simple color-coded key is applied:

- **Green:** Revenues that exceeded budgeted expectations
- **Yellow:** Revenues that reached at least 90% of the budgeted amount
- **Red:** Revenues that fell below 90% of the budgeted amount

This format highlights which revenue sources consistently meet or surpass expectations and which fall short, providing Borough leaders with a clear picture of where forecasting is most reliable and where closer monitoring or corrective action may be needed.

Table 5 - Actual vs. Budget Comparison

Income Category	2019	2020	2021	2022	2023	2024
Taxes	102%	96%	102%	102%	107%	100%
Licenses and Permits	90%	99%	99%	116%	80%	75%
Fines	25%	70%	58%	46%	89%	50%
Miscellaneous and Interest	49%	6%	83%	240%	60%	25%
State Aid	92%	98%	105%	108%	116%	112%
Transfers	119%	102%	81%	34%	126%	113%
Total	100%	96%	99%	96%	110%	99%

Budget Accuracy and Revenue Misclassifications

Overall, the Borough's budget demonstrates reasonable accuracy, with total budgeted revenues generally aligning with actual collections. This reliability is largely driven by the precision of property tax projections, the Borough's single largest revenue source.

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

However, several other categories show consistent variances between budgeted and actual amounts - most notably fines, miscellaneous and interest, and transfers. Some of these revenues are inherently difficult to forecast because they depend on external factors, such as state policy decisions.



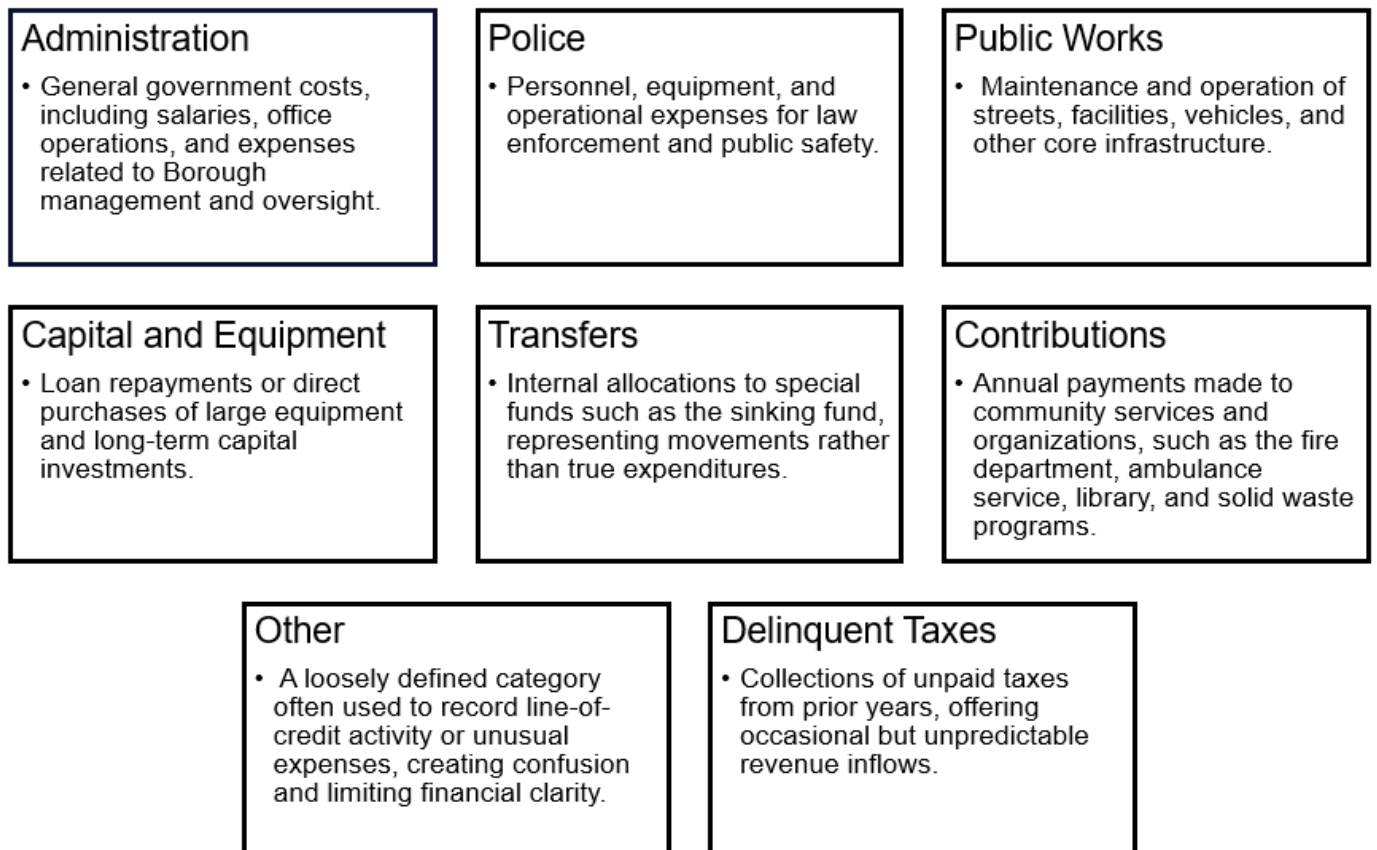
While overall revenues align with budgeted totals, fines, miscellaneous, and transfer revenues are consistently overestimated - highlighting the need for stronger accounting practices and more realistic forecasting.

For example, fine revenue has remained relatively stable at around \$10,000 annually, yet the Borough continues to budget well above that level. Similarly, the accuracy of miscellaneous, interest, and transfer revenues could be significantly improved with stronger accounting practices, including clearer policies and consistent procedures for classifying and managing these items.

Expenditures

Expenditures in Reynoldsville are classified by seven categories. They are:

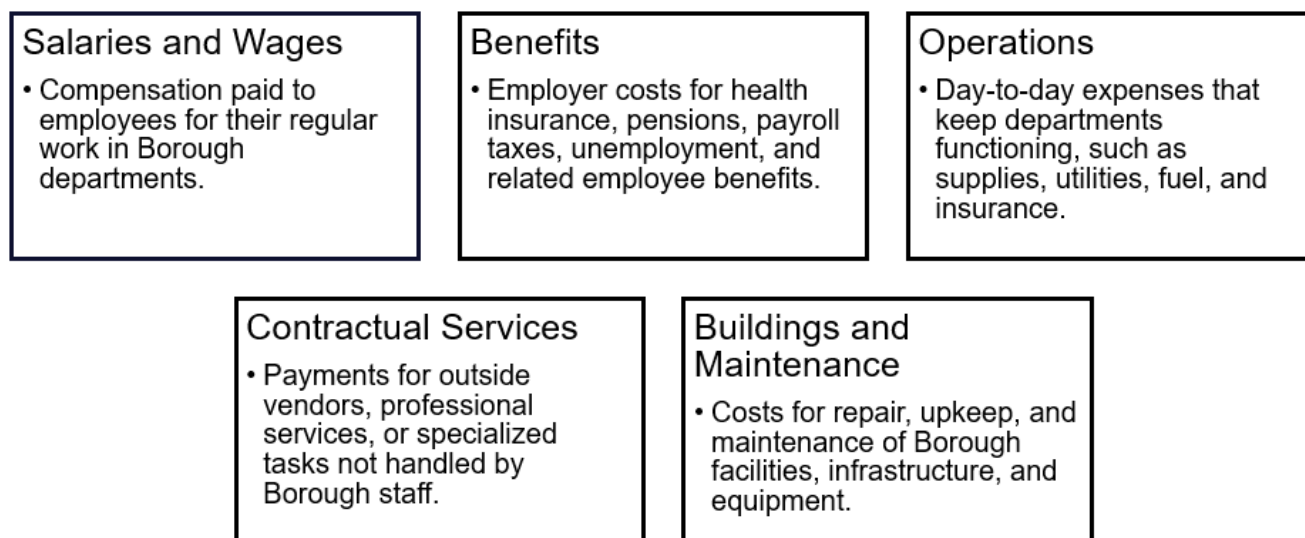
Figure 9 - Expenditure Classifications



***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

Administrative, police, and public works operate as departments for budgeting and financial management purposes. As such, these three departments are further divided into the following subcategories:

Figure 10 - Expenditure Subcategories



The table demonstrates the actual expenditures from 2019 to 2024 for the eight main categories:

Table 6 - Actual Expenditures - 2019-2025

Expenditure Category	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	Percent Change
Administration	\$325,552.42	\$278,754.80	\$307,602.88	\$353,185.96	\$365,157.66	\$403,965.28	24%
Police	154,622.44	\$150,040.05	\$90,903.83	\$160,211.48	\$139,053.72	\$143,190.46	-7%
Public Works	\$318,465.94	316,557.46	\$339,140.55	\$302,334.68	\$351,450.26	\$362,748.70	14%
Capital and Equipment	\$21,145.30	\$21,366.85	\$11,270.92	\$6,896.16	\$16,941.16	\$18,076.68	-15%
Transfers	\$ -	\$40,000.00	\$ -	\$ -	\$ -	\$ -	N/A
Contribution	\$21,500.00	\$40,500.00	\$41,500.00	\$35,500.00	\$46,341.20	\$40,900.00	90%
Other	\$ -	\$ -	\$ -	\$(35,700.00)	\$17,500.00	\$(33,500.00)	N/A
Total	\$841,286.10	\$847,219.16	\$790,418.18	\$822,428.28	\$936,444.00	\$935,381.12	11%

As demonstrated above, expenditures for Administration, Police, and Public Works make up roughly 95% of the Borough's total spending each year. Beyond these core functions, additional

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

categories - such as capital and equipment, contributions, transfers, and “other” - have been inconsistently budgeted and poorly recorded, creating confusion and undermining financial oversight.

Expenditures on capital and equipment reflect loan repayments for large pieces of equipment, such as the backhoe and excavator. Contributions represent annual allocations to community services including the fire department, local ambulance, solid waste, and the library. Transfers were only directed to the sinking fund and, although budgeted between 2019 and 2022, actual expenditures only occurred in 2020. This irregularity highlights the absence of strong accounting controls.

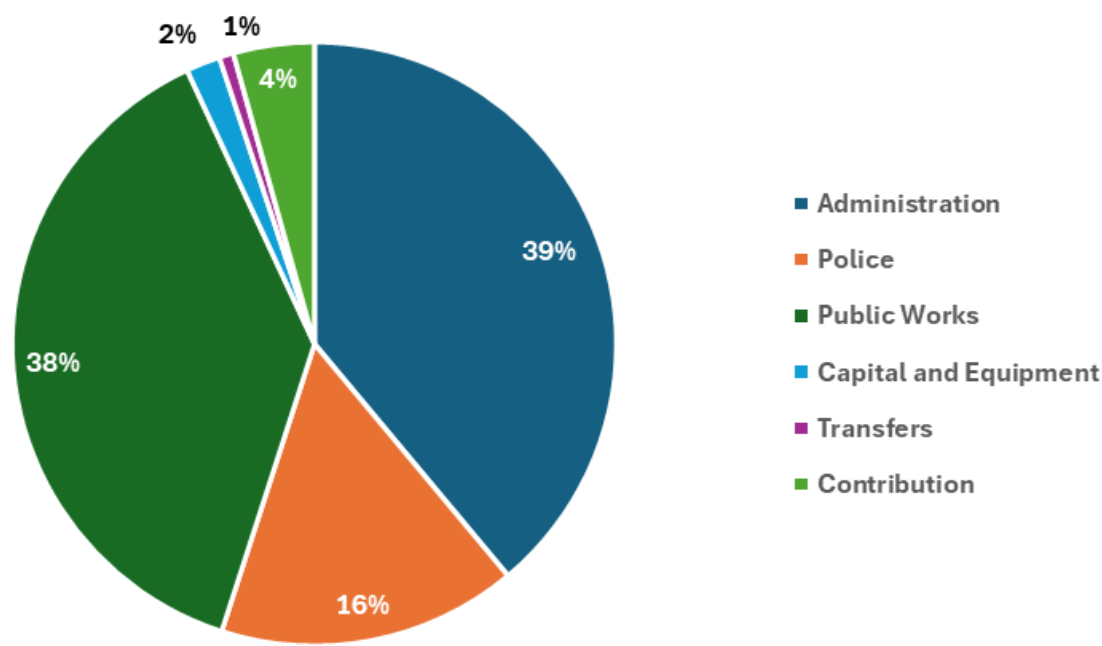


Using “other” to record the Borough’s line of credit masked debt activity and created confusion, making it impossible to see the true financial picture.

The Borough’s use of the “other” category illustrates the challenges created when expenditures are recorded without clear definitions. In practice, this line appears to have been used to track the Borough’s line

of credit - sometimes showing income as negative expenditures and repayments as regular expenses. Because these entries were not labeled in a way that made their purpose obvious, it is difficult for anyone reviewing the reports to understand what the category actually represents. While we assigned these items to “other” for the purposes of analysis, the lack of consistent categorization underscores how reliance on vague or catch-all categories can distort financial reports, obscure accountability, and complicate oversight. Clearer accounting practices are needed to prevent confusion and strengthen transparency.

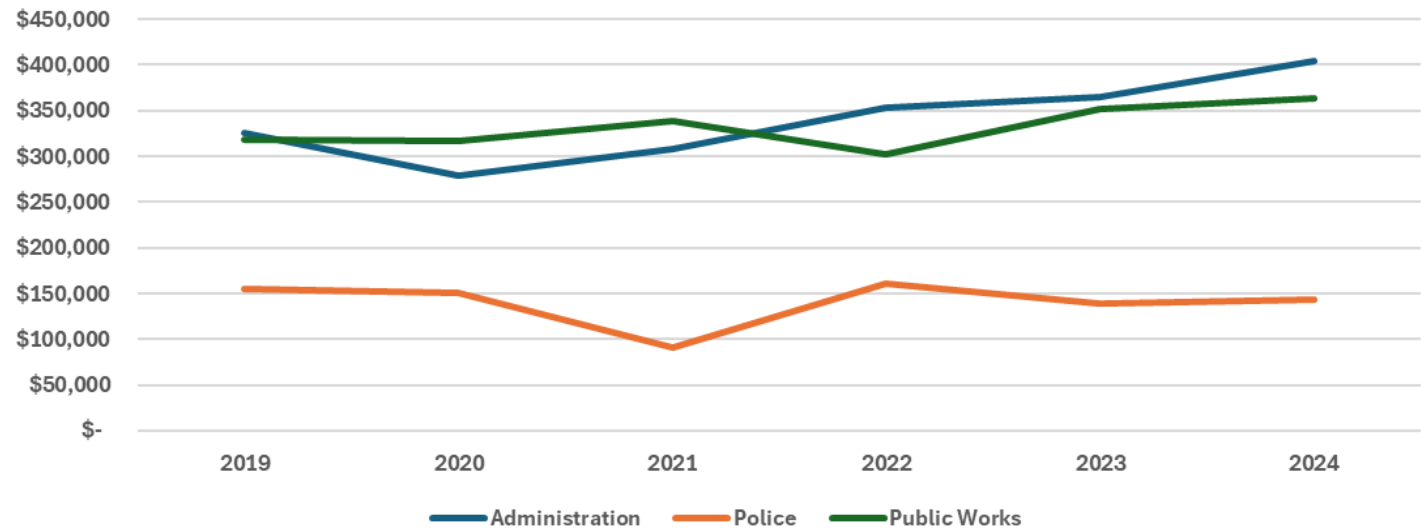
Figure 11 - 2019-2024 Actual Expenditures



*Please note that “Other” is excluded from the above graphic because it contains a “negative” charge under the expenditure category.

When analyzing expenditures by department, the below graphic details that Police expenditures have been steady since 2019, Public Works has grown modestly, and Administration has grown by approximately 25% in the six year period under review.

Figure 12 - Expenditures by Department - 2019-2024



From this broad analysis, the below tables provide insight into expenditures within the three departments by subcategory. Growth or decreases in the amount expended on salaries and

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

wages, benefits, operations, contractual services, and buildings and maintenance vary greatly between the three departments. As the tables below show, though, growth in expenditures under administration is largely driven by growth in salaries and wages and benefits. Public Works has seen a growth in buildings and maintenance expenditures, with a particularly notable increase in 2024. The Police Department has experienced a decrease in salaries and wages with an increase in benefits expenditures.

Table 7 - Administration Expenditures - 2019-2025

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	% Change
Salaries and Wages	\$75,903.96	\$ 77,127.36	\$79,760.41	\$76,397.29	\$107,456.44	\$102,184.45	35%
Benefits	\$113,967.19	\$112,490.81	\$103,631.84	\$113,650.95	\$120,103.05	\$140,480.95	23%
Operations	\$103,262.59	\$74,125.91	\$98,210.85	\$87,834.23	\$104,015.10	\$124,209.76	20%
Contractual Services	\$15,803.75	\$6,703.00	\$16,373.05	\$11,334.50	\$14,348.04	\$20,356.25	29%
Buildings and Maintenance	\$16,614.93	\$8,307.72	\$9,626.73	\$63,968.99	\$19,235.03	\$16,733.87	1%
Total	\$325,552.42	\$278,754.80	\$307,602.88	\$353,185.96	\$365,157.66	\$403,965.28	24.1%

Table 8 - Police Expenditures - 2019-2025

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	% Change
Salaries and Wages	\$99,387.88	\$ 85,231.59	\$33,477.76	\$92,156.76	\$63,705.13	\$76,630.12	-23%
Benefits	\$31,128.00	\$47,017.00	\$45,277.00	\$53,454.00	\$62,128.00	\$51,413.00	65%
Operations	\$23,369.28	\$14,472.46	\$11,943.09	\$14,630.63	\$13,575.34	\$14,800.25	-37%
Contractual Services	\$186.00	\$(100.00)	\$(199.00)	\$(630.00)	\$(666.00)	\$(682.00)	N/A*
Buildings and Maintenance	\$551.28	\$3,419.00	\$404.98	\$600.09	\$311.25	\$1,029.09	87%
Total	\$154,622.44	\$150,040.05	\$90,903.83	\$160,211.48	\$139,053.72	\$143,190.46	-7.4%

*Police contractual services are a few hundred dollars recorded as a negative expenditure most years. Therefore, it was excluded from this analysis.

**Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025**

Table 9 - Public Works - 2019-2025

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	% Change
Salaries and Wages	\$93,422.35	\$106,576.73	\$109,243.20	\$120,349.74	\$119,275.35	\$107,337.19	15%
Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A*
Operations	\$24,982.55	\$16,809.27	\$18,801.58	\$40,551.80	\$24,550.37	\$19,974.35	-20%
Contractual Services	\$17,363.83	\$18,971.13	\$19,130.17	\$31,130.33	\$12,849.87	\$13,417.31	-23%
Buildings and Maintenance	\$182,697.21	\$174,200.33	\$191,965.60	\$110,302.81	\$194,774.67	\$222,019.85	22%
Total	\$318,465.94	\$316,557.46	\$339,140.55	\$302,334.68	\$351,450.26	\$362,748.70	13.9%

*Public Works does not record benefits expenditures.

Just as with revenues, Reynoldsville's total budgeted expenditures generally align with actual expenditures, especially for the Borough's largest spending areas - administration, police, and public works.

However, for many other budget categories, weak or inconsistent policies and procedures result in large discrepancies between budgeted and actual amounts - when those categories are even budgeted at all. This lack of structure undermines oversight and prevents the Borough from using its budget as an effective tool to guide decisions about resource allocation and the proper administration of funds.

Expenditure accuracy hides deeper issues - while major departments align with budgets, weak policies elsewhere create large discrepancies, undermining oversight and effective financial management.

To better highlight these patterns, the following table compares budgeted versus actual expenditures by category. A simple color-coded key is included to make accuracy levels immediately clear:

- **Green:** Expenditures stayed within the budgeted range ($\leq 100\%$ of budgeted amount)
- **Yellow:** Expenditures slightly exceeded the budget (up to 110% of budgeted amount)
- **Red:** Expenditures significantly exceeded the budget ($> 110\%$ of budgeted amount)

This format helps identify which expenditure categories are reasonably well-managed and which require greater scrutiny and tighter oversight.

**Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025**

Table 10 - Actual vs. Budget Comparison

Expenditure Category	2019	2020	2021	2022	2023	2024
Administration	111%	87%	96%	106%	105%	110%
Police	86%	90%	78%	115%	103%	90%
Public Works	104%	101%	113%	103%	94%	107%
Capital and Equipment	96%	109%	53%	144%	71%	76%
Transfers	0%	143%	0%	0%	N/A	N/A
Contribution	59%	133%	117%	100%	131%	101%
Other	N/A	N/A	N/A	N/A	N/A	-279%*
Total	99%	96%	95%	95%	102%	99%

* Omitted from comparison data due to poor accounting practices.

Personnel v. Non-Personnel Expenditures

Another useful way to examine Reynoldsville's finances is by comparing personnel versus non-personnel expenditures, rather than focusing solely on departmental budgets. Personnel costs include salaries, wages, and benefits such as health insurance, pension contributions, and payroll taxes, while non-personnel costs encompass all other operating expenses.

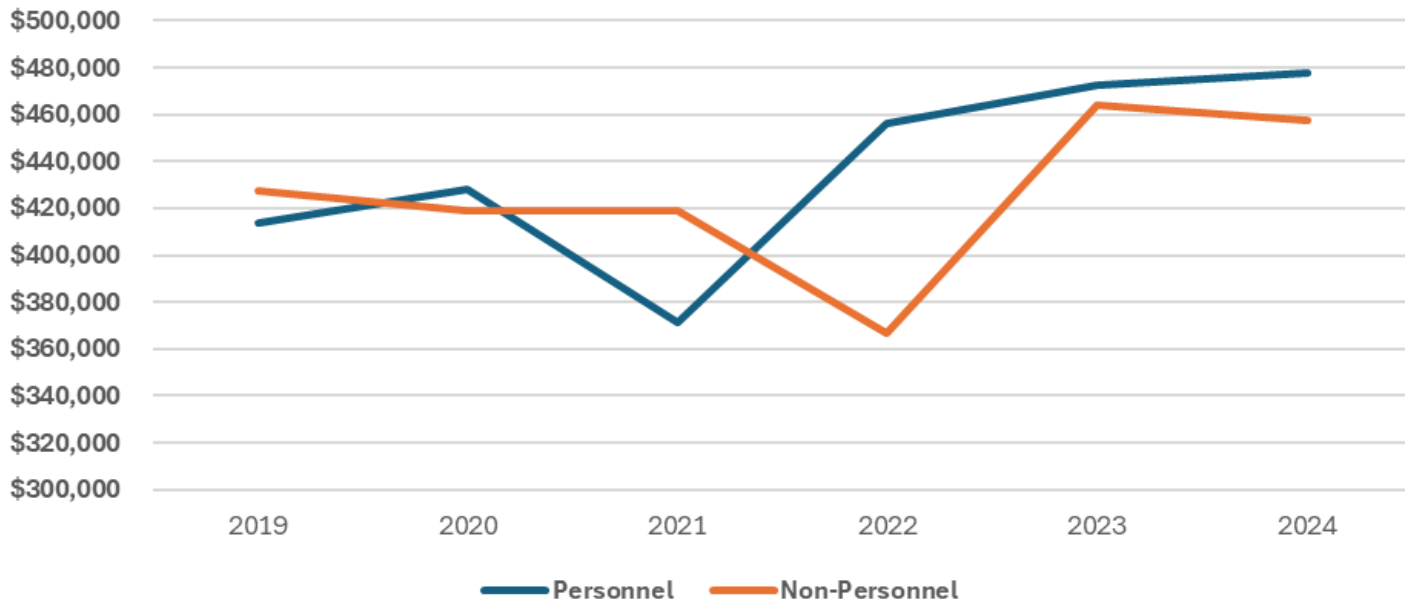


Since 2022, personnel costs have consistently outpaced non-personnel expenses - growing by 15.5% from 2019 to 2024 compared to just 7% for all other expenditures - signaling a growing strain on Reynoldsville's budget.

The graphic below illustrates how these categories have shifted over time. Historically, expenditures were fairly evenly divided between personnel and non-personnel. Beginning in 2022, however, personnel costs consistently

exceeded non-personnel costs. From 2019 to 2024, personnel expenditures increased by 15.5%, nearly double the 7% growth in non-personnel expenses - highlighting the growing impact of personnel costs on the Borough's overall financial position.

Figure 13 - Personnel vs. Non-Personnel Expenditures - 2019-2024



Financial Trend Analysis

Step 2, Financial Trend Analysis, builds upon the baseline established in Step 1 to project Reynoldsville's likely financial position over the next 3-5 years. This involves developing multi-year forecasts for major revenue and expenditure categories. Crucially, these projections are

Step 2 of the STMP process projects the county's likely financial position over the next 3–5 years, using clearly defined assumptions to anticipate challenges, assess long-term impacts of current policies, and lay the groundwork for sound financial strategy.

based on clearly articulated assumptions regarding factors such as anticipated changes in tax rates or bases, known personnel cost adjustments (salaries, benefits), inflation estimates, planned capital projects or debt service, expected grant funding, and relevant economic or demographic trends (like population changes or development activity). The objective is to anticipate future financial challenges or opportunities, understand the potential long-term consequences of current trends and policies, and provide a quantitative basis for developing financial strategies in subsequent STMP steps.

Surplus and Deficit

Between 2019 and 2024, Reynoldsville generally operated with modest budget surpluses, with the exceptions of slight deficits in 2020 and 2024 that were offset by stronger performance in

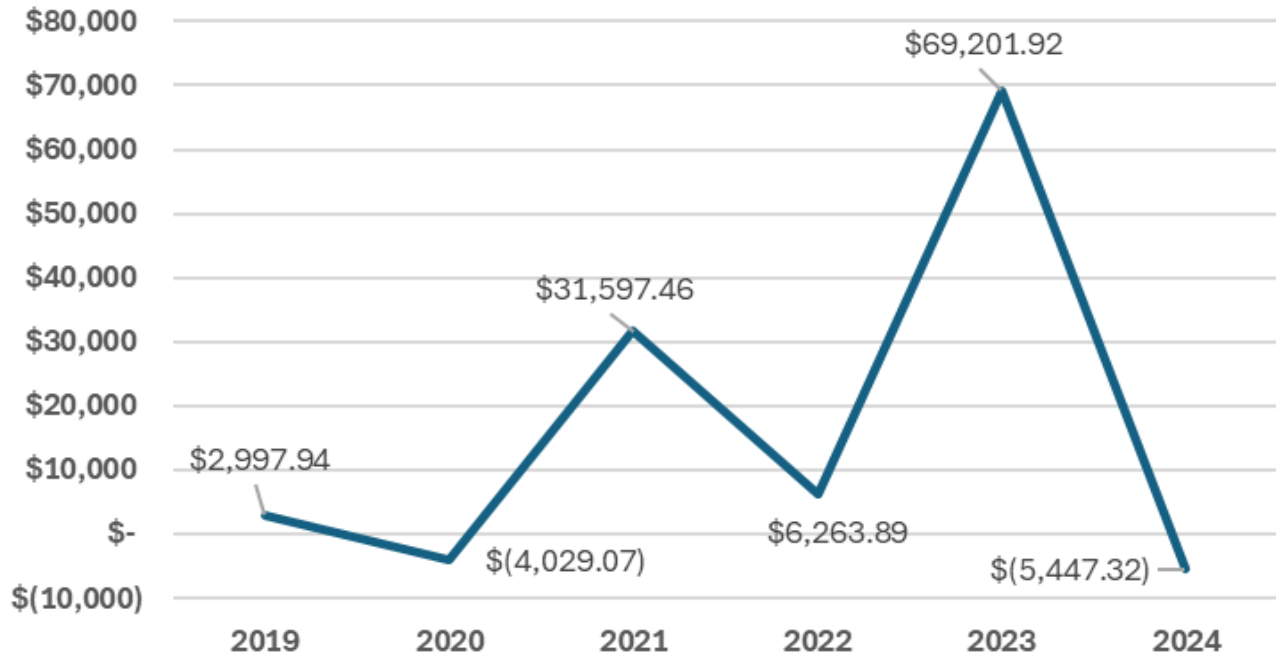
***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

other years. The accompanying table and chart below illustrate these trends, which serve as the baseline for revenue projections.

Table 11 - Surplus vs. Deficit

	2019	2020	2021	2022	2023	2024
Surplus (Deficit)	\$2,997.94	\$(4,029.07)	\$31,597.46	\$6,263.89	\$69,201.92	\$(5,447.32)
Revenue	\$844,284.04	\$843,190.09	\$822,015.64	\$828,692.17	\$1,005,645.92	\$929,933.80
Expenditures	\$ 841,286.10	\$847,219.16	\$790,418.18	\$822,428.28	\$936,444.00	\$935,381.12

Figure 14 - Budget Surplus / Deficit



While the Borough's overall financial position appears relatively stable, risks remain. Of particular concern is that current budget practices obscure a clear picture of Reynoldsville's true financial standing, underscoring the urgent need for sound accounting and budgeting principles to guide future decision-making.

Current budget practices obscure Reynoldsville's true financial standing, highlighting the urgent need for sound accounting and budgeting principles.

Excluded Data Categories: Ensuring Accuracy in Analysis

To preserve the integrity of Reynoldsville’s financial trends and projections, certain categories are intentionally excluded from this analysis. The “Transfer” and “Other” expenditure categories are omitted due to inconsistent and unclear usage, which could distort the accuracy of broader, more reliable budget categories. Because these categories represent only a small portion of total expenditures, their exclusion should not significantly alter overall findings but highlights the urgent need for transparent and standardized accounting practices.

Similarly, the “Reimbursements” revenue category has been excluded. This category was inconsistently recorded and never budgeted between 2019 and 2024, making it unsuitable for meaningful trend or projection analysis.

Baseline Revenue Assumptions

Revenue projections are performed from one of three baseline assumptions. The baselines are constructed from the following methodology:

- **Conservative** - The 25th percentile of each revenue category using data from 2019 to 2024.
- **Expected** - The 50th percentile of each revenue category using data from 2019 to 2024.
- **Growth** - The 75th percentile of each revenue category using data from 2019 to 2024.

Table 12 - Baseline Revenue Assumptions

Revenue Category	Conservative	Expected	Growth
Taxes	\$645,458.88	\$683,134.47	\$707,283.58
Licenses and Permits	\$43,032.42	\$46,045.41	\$ 48,157.30
Fines	\$8,738.50	\$9,374.85	\$10,395.72
Miscellaneous and Interest	\$2,508.24	\$3,543.62	\$4,737.48
State Aid	\$28,682.68	\$35,004.73	\$40,022.05
Transfers	\$78,764.80	\$105,172.33	\$121,519.20
Sum	\$807,185.51	\$882,275.40	\$932,115.32

To complement the expenditure modeling, this analysis applies three revenue growth scenarios to reflect Reynoldsville’s structural constraints and economic context. Because most borough revenues - especially property taxes and state aid - are relatively inelastic, they typically do not

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

increase without deliberate policy action. These scenarios illustrate a range of potential outcomes based on historical trends and planning assumptions:

1) Flat-Line Revenue Scenario (0.0% annual growth):

Assumes no year-over-year increase in recurring revenues. Reflects a static environment with unchanged millage rates, flat assessed values, and no new revenue initiatives. Useful as a conservative baseline.

2) Baseline Revenue Scenario (1.0% annual growth):

Reflects modest improvement due to incremental growth in the tax base, improved collection rates, or minor fee adjustments. This scenario aligns with typical borough performance under steady administrative management.

3) Optimistic Revenue Scenario (2.16% annual growth):

Assumes more robust growth aligned with the 10-year U.S. GDP average. While possible in select categories (e.g., fines, LST, permits), this rate is unlikely across all revenues without policy changes or new development.

These scenarios, applied to 2019–2024 historical baselines, provide a flexible framework for modeling future fiscal conditions and evaluating the impact of different revenue strategies.

Baseline Expenditure Assumptions

The assumptions used to construct the expenditure baselines are the same and available below.

Table 13 - Baseline Expenditure Assumptions

Expenditure Category	Conservative	Expected	Growth
Administration	\$312,090.27	\$339,369.19	\$362,164.74
Police	\$140,087.91	\$146,615.26	\$153,476.84
Public Works	\$317,034.58	\$328,803.25	\$348,372.83
Capital and Equipment	\$12,688.48	\$17,508.92	\$20,378.15
Contribution	\$36,750.00	\$40,700.00	\$41,350.00
Sum	\$818,651.23	\$872,996.61	\$925,742.56

To evaluate Reynoldsville’s long-term fiscal position, this analysis applies three expenditure growth scenarios based on inflationary trends, wage pressures, and typical cost drivers in borough government. These assumptions are used to model how annual operating costs may

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

evolve from 2025 through 2030 across core service areas, including administration, police, public works, and capital outlay.

1) Low-Cost Scenario (1.0% annual growth):

Reflects minimal inflation and highly constrained expenditure growth - such as through wage freezes, conservative budgeting, or cost-sharing strategies. Useful as a lower-bound planning case, but unlikely to occur over an extended period.

2) Baseline Scenario (2.16% annual growth):

Represents the most probable cost trajectory, based on the 10-year average U.S. GDP growth rate. This assumption aligns with planning standards used by the GFOA and reflects moderate wage increases and inflation-driven cost escalation.

3) High-Cost Scenario (3.1% annual growth):

Assumes continued inflationary pressure in areas like labor, contracts, fuel, and materials. Based on the most recent Core Consumer Price Index (CPI) (excluding food and energy), this scenario reflects realistic cost increases facing small municipalities.

These assumptions are applied to expenditure baselines derived from 2019–2024 actuals, providing a consistent framework for long-term projections. The scenarios help identify where proactive budgeting, service adjustments, or policy reforms may be necessary to maintain fiscal sustainability.

Projection Methodology and Scenario Framework

To support long-term financial planning for Reynoldsville, this analysis uses a structured approach to project revenues, expenditures, and resulting surpluses or deficits from 2025 through 2030. The methodology is designed to be transparent, flexible, and appropriate for the Borough's scale and data limitations.

Aggregate Modeling Approach

Rather than applying growth rates to each individual revenue or expenditure line item, projections are calculated using the total "sum" value of each scenario baseline - Conservative (25th percentile), Expected (50th percentile), and Growth (75th percentile) - based on historical data from 2019 to 2024. Growth assumptions are then applied to these baseline sums.

This approach is used consistently for both revenues and expenditures, and was chosen for the following reasons:

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

- **Clarity and Comparability:** Modeling at the aggregate level allows for cleaner, more interpretable comparisons between different scenarios, especially when assessing projected surpluses or deficits.
- **Avoiding Over-Complexity:** Modeling every line item would introduce excessive detail that could obscure key trends and complicate meaningful analysis, especially given the Borough's relatively simple budget structure.
- **Data Quality Considerations:** As addressed earlier, some line items are inconsistently recorded or exhibit significant volatility. Focusing on aggregate categories helps reduce distortion from outliers.

This method produces actionable results while maintaining analytic integrity and ensuring the projections remain usable for policy planning and community discussions.

Revenue and Expenditure Scenario Combinations

To reflect plausible fiscal conditions, each baseline is paired with a compatible growth scenario. This results in three projections each for revenues and expenditures:

Revenue Projections

- ▶ **Best-Case Revenue Scenario:** Growth Baseline + Optimistic Growth (2.16%)
- ▶ **Middle-Case Revenue Scenario:** Expected Baseline + Baseline Growth (1.00%)
- ▶ **Worst-Case Revenue Scenario:** Conservative Baseline + Flat-Line Growth (0.00%)

Expenditure Projections

- ▶ **Best-Case Expenditure Scenario:** Conservative Baseline + Low-Cost Growth (1.00%)
- ▶ **Middle-Case Expenditure Scenario:** Expected Baseline + Baseline Growth (2.16%)
- ▶ **Worst-Case Expenditure Scenario:** Growth Baseline + High-Cost Growth (3.10%)

Surplus and Deficit Modeling

The final stage of the projection process involves combining revenue and expenditure scenarios to estimate annual surpluses or deficits for each year from 2025 through 2030. The following three combinations represent the most policy-relevant scenarios:

- **Best-Case Projection:**
Growth revenue baseline + Optimistic growth (2.16%)
vs.
Conservative expenditure baseline + Low-cost growth (1.00%)

**Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025**

→ Reflects strong fiscal conditions with growing revenues and restrained costs.

- **Middle-Case (Realistic) Projection:**

Expected revenue baseline + Baseline growth (1.00%)

vs.

Expected expenditure baseline + Baseline growth (2.16%)

→ Represents the most likely scenario based on recent trends and stable assumptions.

- **Worst-Case Projection:**

Conservative revenue baseline + Flat-line growth (0.00%)

vs.

Growth expenditure baseline + High-cost growth (3.10%)

→ Reflects a challenging fiscal outlook with stagnant revenues and increasing costs.

These surplus and deficit projections will be illustrated through tables and charts to support long-term strategic planning, highlight structural imbalances, and inform potential policy interventions.

Revenue Projections

The table below displays projected annual revenues for Reynoldsville Borough under three modeled scenarios: Best-Case, Middle-Case, and Worst-Case. Each scenario applies a different baseline and growth assumption as outlined in the projection methodology.

Scenario	Baseline	Growth Rate
Best-Case	Growth Baseline (75th percentile)	2.16% annually (Optimistic)
Middle-Case	Expected Baseline (50th percentile)	1.00% annually (Baseline)
Worst-Case	Conservative Baseline (25th percentile)	0.00% annually (Flat-Line)

Table 14 - Revenue Projections

Scenario Type	2025	2026	2027	2028	2029	2030
Best-Case	\$952,249.01	\$972,817.58	\$993,830.44	\$1,015,297.18	\$1,037,227.60	\$1,059,631.72
Middle-Case	\$891,098.15	\$900,009.13	\$909,009.22	\$918,099.31	\$927,280.31	\$936,553.11
Worst-Case	\$807,185.51	\$807,185.51	\$807,185.51	\$807,185.51	\$807,185.51	\$807,185.51

**Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025**

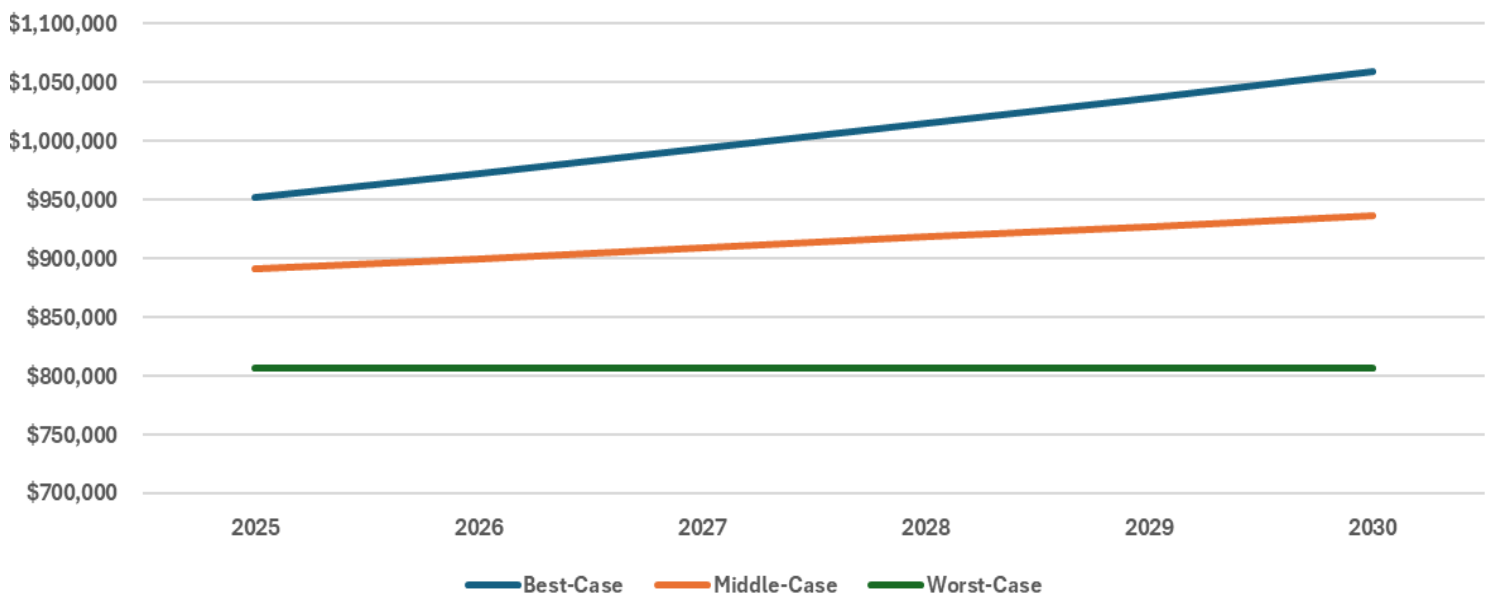
Key Takeaways

- Under the **Best-Case Scenario**, annual revenues grow from approximately **\$952,000 in 2025** to **just over \$1.05 million by 2030**, representing a cumulative increase of more than **11%** over the six-year period.
- The **Middle-Case Scenario**, considered the most probable, reflects modest annual increases, reaching approximately **\$936,000 by 2030**, an increase of about **5%** over 2025.
- The **Worst-Case Scenario** assumes zero growth, holding revenues flat at **\$807,185.51** each year. While highly unlikely, this scenario highlights Reynoldsville's vulnerability to stagnating revenue in the absence of policy changes or economic growth.
- The **revenue gap between best- and worst-case outcomes** reaches more than **\$250,000 annually by 2030**, underscoring the importance of strategic revenue management and economic development.

By 2030, Reynoldsville's revenue outlook ranges from more than \$1.05M in the best case to just \$807K in the worst - over a \$250K gap that underscores the need for strategic revenue management and economic growth.

This data is also presented visually in the chart below to support clearer interpretation and scenario comparison.

Figure 15 - Revenue Projections



Expenditure Projections

The table below outlines projected annual expenditures for Reynoldsville Borough under three expenditure growth scenarios: Best-Case, Middle-Case, and Worst-Case. These scenarios apply different baseline sums and annual growth rates, based on recent cost trends and inflationary pressures.

Scenario	Baseline	Growth Rate
Best-Case	Conservative Baseline	1.00% annually (Low-Cost)
Middle-Case	Expected Baseline	2.16% annually (Baseline)
Worst-Case	Growth Baseline	3.10% annually (High-Cost)

Table 15 - Expenditure Projections

Scenario Type	2025	2026	2027	2028	2029	2030
Best-Case	\$826,837.74	\$835,106.12	\$843,457.18	\$851,891.75	\$860,410.67	\$869,014.78
Middle-Case	\$891,853.34	\$911,117.37	\$930,797.50	\$950,902.73	\$971,442.23	\$992,425.38
Worst-Case	\$954,440.57	\$984,028.23	\$1,014,533.11	\$1,045,983.63	\$1,078,409.13	\$1,111,839.81

Key Takeaways

- Under the **Best-Case Scenario**, total annual expenditures increase gradually from **\$826,838 in 2025** to **\$869,015 by 2030**, reflecting tight cost control and minimal inflation.
- In the **Middle-Case Scenario**, expenditures rise to **\$992,425 by 2030**, reflecting moderate wage growth and inflation consistent with national economic trends.
- The **Worst-Case Scenario** projects costs growing from **\$954,441 in 2025** to more than **\$1.11 million by 2030**, driven by sustained inflation and increased cost of service delivery.

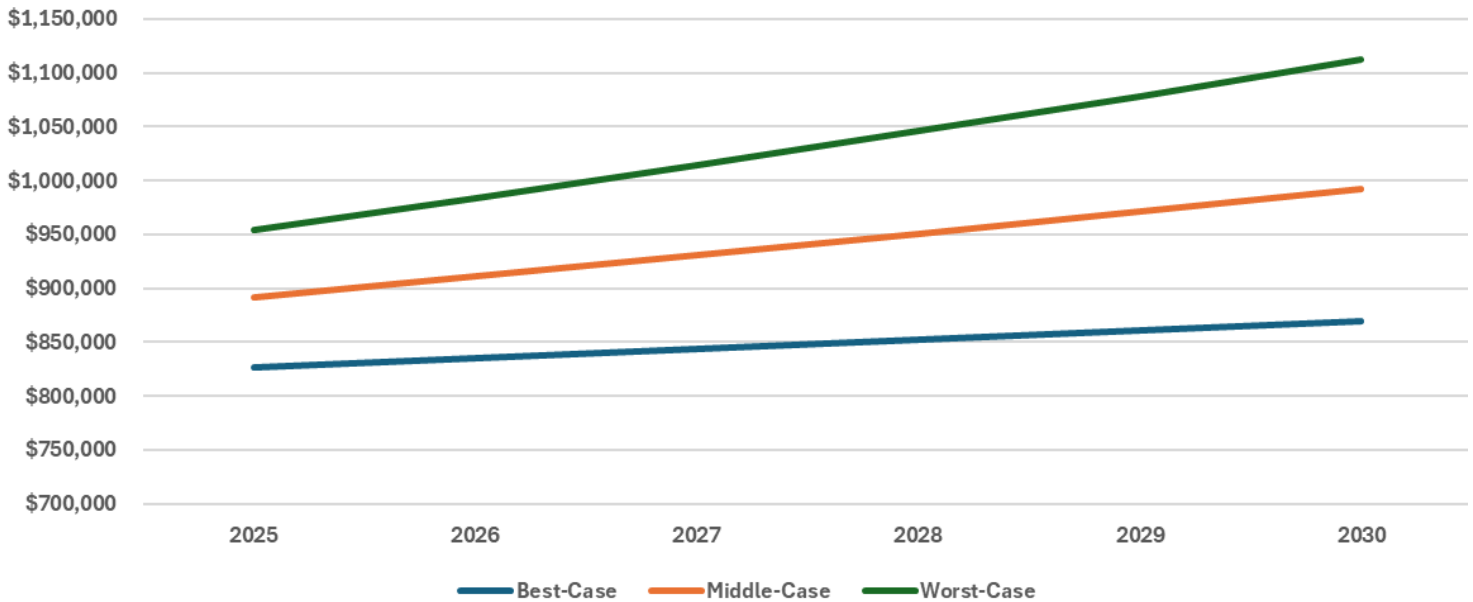
By 2030, Reynoldsville's annual expenditures could range from \$869K under tight controls to over \$1.11M under high inflation, with a middle path of about \$992K. This \$240K spread highlights how inflation pressures and cost management will directly shape the Borough's long-term fiscal health.

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

- By 2030, the **spread between best- and worst-case scenarios exceeds \$240,000 annually**, emphasizing how inflationary pressures and expenditure management will play a critical role in Reynoldsville’s long-term fiscal health.

A graphical version of these projections is provided below to support comparison across the three scenarios.

Figure 16 - Expenditure Projections



Surplus and Deficit Projections

The table below illustrates Reynoldsville Borough’s projected annual surplus or deficit under three combined revenue and expenditure scenarios: Best-Case, Middle-Case, and Worst-Case. Each scenario is based on a pairing of revenue and expenditure assumptions, as outlined earlier in the projection methodology.

Projection	Revenue Scenario	Expenditure Scenario
Best-Case	Growth Revenue Baseline + Optimistic Growth (2.16%)	Conservative Expenditure Baseline + Low-Cost Growth (1.00%)
Middle-Case	Expected Revenue Baseline + Baseline Growth (1.00%)	Expected Expenditure Baseline + Baseline Growth (2.16%)
Worst-Case	Conservative Revenue Baseline + Flat Growth (0.00%)	Growth Expenditure Baseline + High-Cost Growth (3.10%)

Table 16 - Surplus and Deficit Projections

Scenario Type	2025	2026	2027	2028	2029	2030
Best-Case Projection	\$125,411.26	\$137,711.46	\$150,373.26	\$163,405.43	\$176,816.93	\$190,616.94
Middle-Case Projection	\$(755.19)	\$(11,108.24)	\$(21,788.28)	\$(32,803.42)	\$(44,161.92)	\$(55,872.27)
Worst-Case Projection	\$(147,255.06)	\$(176,842.72)	\$(207,347.60)	\$(238,798.12)	\$(271,223.62)	\$(304,654.30)

Key Takeaways

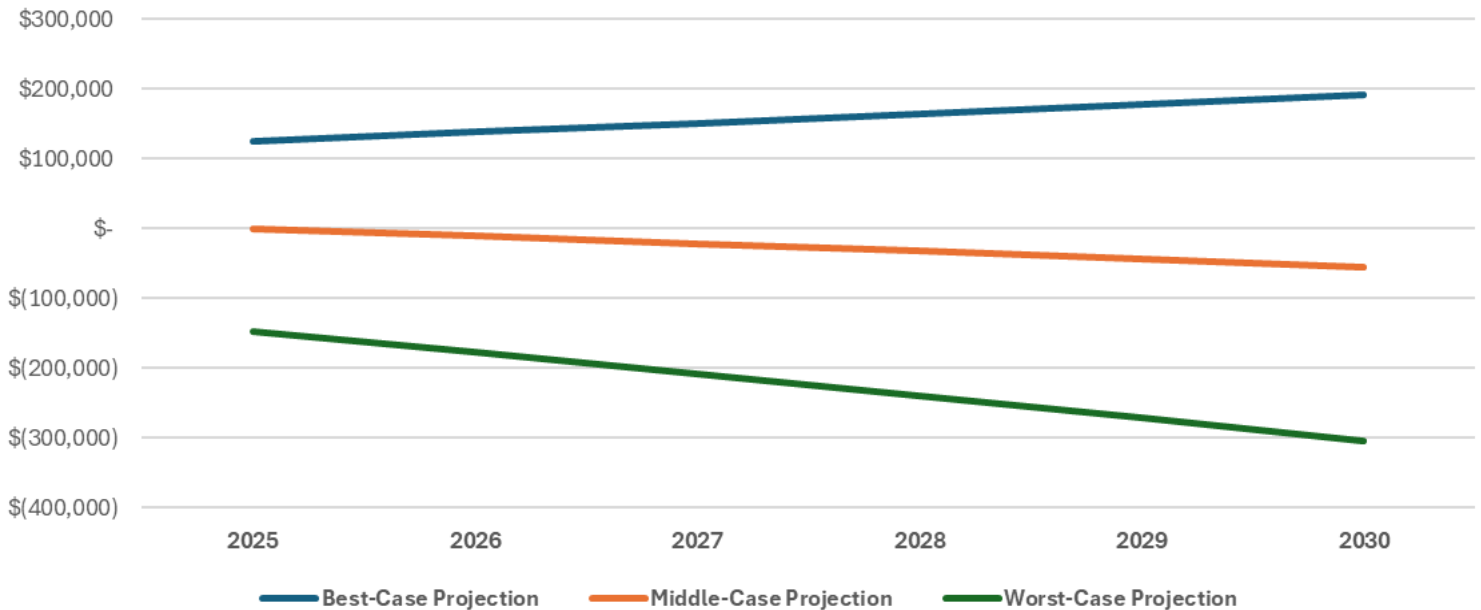
- The **Best-Case Scenario** shows a consistent and growing surplus, rising from approximately **\$125,000 in 2025** to over **\$190,000 by 2030**. This reflects favorable economic conditions with strong revenue growth and minimal cost inflation.
- The **Middle-Case Scenario**, considered the **most realistic**, shows Reynoldsville running a **structural deficit every year** of the projection period. The deficit starts at **\$755 in 2025**, but grows steadily to nearly **\$56,000 by 2030** - a clear indication of long-term fiscal imbalance under current conditions.
- The **Worst-Case Scenario** projects severe and escalating deficits, growing from **\$147,000 in 2025** to **over \$304,000 by 2030**. This reflects stagnant revenues alongside rising costs, driven by inflation and service demands.
- Importantly, the **surplus in the Best-Case Scenario is significantly smaller than the deficit in the Worst-Case**, particularly by 2030. While the Borough could achieve a surplus of around **\$190,000**, it could just as easily face a deficit of more than **\$304,000** under less favorable conditions.
- This imbalance suggests that Reynoldsville is confronting **difficult economic conditions** and that even optimistic outcomes offer **limited fiscal breathing room** compared to the magnitude of potential deficits.



By 2030, Reynoldsville could see a surplus of \$190K under best-case conditions or face a deficit exceeding \$304K under worst-case assumptions, with the most likely scenario pointing to growing structural deficits - underscoring the Borough's fragile fiscal balance.

A visual summary of these projections is provided in the graphic below to help illustrate the growing fiscal gap across scenarios.

Figure 17 - Surplus / Deficit Projections



Recommendations

Based on the findings from the financial condition assessment and trend analysis, the following recommendations are intended to support long-term fiscal sustainability, improve operational efficiency, and enhance financial transparency. These suggestions are grounded in observed financial patterns, historical data, and best practices in municipal financial management. Implementing these strategies will help the Borough strengthen its financial position, better align resources with community needs, and plan proactively for future challenges and opportunities.

Recommendation #1 - Conduct a Forensic Audit to Identify and Address Financial Irregularities

Engage a qualified, independent forensic auditing firm to conduct a comprehensive review of Borough finances over the past several years. With no established financial practices in place, incomplete records, and significant discrepancies in reported figures, the Borough must undertake a forensic audit to uncover where funds were spent, whether mismanagement or fraud occurred, and how procedural failures contributed to the current uncertainty. This deep investigation will trace transactions, evaluate compliance with laws and policies, and identify missing or misallocated funds.

The results will not only provide a factual account of past financial activity but also inform the

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

development of strong internal controls, ensure accountability, and help restore public trust in Borough governance.

Recommendation #2 - Engage a New Independent Auditor

Seek a new independent auditor who demonstrates a strong track record of thoroughness, responsiveness, and familiarity with Generally Accepted Accounting Principles (GAAP). The current auditing process has revealed repeated material weaknesses and a lack of actionable feedback, which undermines transparency and financial accountability. Partnering with a qualified auditing firm that provides detailed evaluations, clear guidance, and compliance with both DCED and GAAP standards will enhance the Borough's financial reporting, support better decision-making, and improve public trust in the Borough's financial stewardship.

Recommendation #3 - Bid Auditor Service Bi-Annually

To ensure accountability, transparency, and cost-effectiveness in its financial oversight, the Borough should establish a policy of soliciting competitive bids for independent auditing services at least once every two years. Regularly rebidding the auditor contract encourages competitive pricing, brings fresh perspectives to the financial review process, and helps ensure the selected auditor remains aligned with the Borough's expectations for thoroughness, responsiveness, and adherence to applicable accounting standards. While continuity in audit services can be valuable, periodic competition fosters a higher standard of performance and can reveal new opportunities for improving financial reporting and internal controls.

Recommendation #4 - Enhance Financial Reporting Practices

Transition to full compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) guidelines to better serve long-term financial planning and oversight responsibilities. While the Borough's current practices may satisfy minimum regulatory requirements, adopting GAAP / GASB-compliant financial statements would provide a more complete and transparent picture of the Borough's financial position.

Shifting to a more strategic, rather than purely regulatory, approach to financial reporting will strengthen fiscal accountability, support improved decision-making, and position the Borough for sustainable financial management in the future.

At the same time, train the Council (and staff) in how to read the financial reports.

Recommendation #5 - Utilize QuickBooks "Class" System

Leverage the "classing" feature within QuickBooks accounting software to enable more robust departmental and fund reporting and enhance accountability. This allows tracking of activity between different departments within the same fund and supports departmental planning based on historical spending patterns.

Recommendation #6 - Integrate a Fund Accounting Platform

Transition to a fund accounting software platform, like VADAR, to enhance the accuracy, transparency, and usefulness of financial reporting. Unlike general accounting systems, fund accounting is specifically designed for governmental entities and allows for the proper tracking of revenues and expenditures across various restricted and unrestricted funds. Implementing such a system would support greater alignment with GAAP and GASB requirements, while also improving the Borough's ability to manage grants, capital projects, and departmental budgets more effectively.

Enhanced reporting capabilities would also facilitate clearer communication of financial information to elected officials, auditors, and the public, ultimately contributing to strong financial oversight and accountability.

Recommendation #7 - Streamline Chart of Accounts

Implement a more organized chart of accounts, aligned with the standard DCED numbering system while incorporating logical sub-categories (e.g., a 4-digit system differentiating revenues, expenses, and departments) to provide a clearer framework.

Recommendation #8 - Establish a Dedicated Fire/EMS and Library Tax

Restructure existing general-purpose allocations currently used for Fire and EMS into a dedicated Fire/EMS tax, and create a new dedicated Library tax. These dedicated millages will ensure sustainable, transparent funding streams for critical public safety and community services while reducing reliance on the Borough's general fund.

For Fire and EMS, moving costs out of general-purpose allocations into a dedicated tax will strengthen accountability and provide residents with a clear picture of how these essential services are funded. For the Library, a separate dedicated tax will provide long-term funding for building renovations, facility upkeep, and ongoing operations - supporting this vital community resource without diverting funds from other municipal priorities or depending solely on unpredictable grants.

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

Together, these dedicated millages will enhance fiscal clarity, align resources with community priorities, and demonstrate the Borough's commitment to preserving public safety and community enrichment.

Recommendation #9 - Pool Funds in Interest-Bearing Accounts

Optimize current cash management practices by pooling idle or reserve funds into higher-yield interest-bearing accounts, such as money market accounts or short-term investment pools authorized for municipal use. In doing so, the Borough can maximize returns on its cash holdings without compromising liquidity or risk tolerance. Likely the best returns could be found with PLIGIT or the PA Treasury.

Implementing this strategy could generate additional revenue from interest earning, support long-term financial stability, and enhance overall efficiency of cash utilization. This approach aligns with sound public finance practices and can be implemented with guidance from the Borough's financial institution to ensure compliance with applicable laws and investment policies.

Recommendation #10 - Implement Priority Based Budgeting

Adopt a Priority-Based Budgeting (PBB) approach to better align financial decision-making with community values, strategic goals, and service effectiveness. Unlike traditional budgeting methods that rely on incremental adjustments, PBB evaluates programs and services based on their relevance to clearly defined priorities and outcomes. This process enables elected officials and staff to make more transparent, data-driven funding decisions, identify areas for potential cost savings or reallocation, and ensure that limited resources are invested where they will have the greatest impact.

Implementing PBB can also improve community engagement by involving residents in identifying key priorities, fostering greater trust and accountability in the budgeting process. The transition to PBB may require initial training and software support but offers long-term benefits in efficiency, performance measurement, and strategic planning.

**Recommendation #11 - Implement Cash Flow Monitoring and
Monthly Budgeting in Coordination with Key Vendors**

Adopt a structured monthly budgeting and cash flow monitoring process, developed in collaboration with key vendors and service providers. This practice will enhance financial oversight by aligning expenditure timelines with revenue patterns, reducing the risk of shortfalls, and improving the Borough's ability to meet financial obligations in a timely manner.

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

By engaging with vendors to anticipate billing cycles and adjusting payment schedules when possible, the Borough can create a more predictable and transparent budgeting process. This will also support informed decision-making throughout the fiscal year and reduce reliance on short-term borrowing.

Recommendation #12 - Document Budgeting Process and Review Responsibilities

Develop and maintain a clear, written documentation of the Borough's annual budgeting process, including timelines, roles, responsibilities, and review procedures. This documentation should outline who is responsible for preparing, reviewing, and approving various components of the budget, as well as how financial projections, departmental requests, and public input are incorporated.

Establishing a standardized and transparent budgeting process ensures consistency from year to year, promotes accountability among staff and elected officials, and supports more informed decision-making. Additionally, a documented process can aid in onboarding new personnel, facilitate compliance with regulatory requirements, and enhance the Borough's ability to plan strategically and respond to changing financial conditions.

Recommendation #13 - Eliminate Reliance on Tax Anticipation Notes (TANs) and Build Financial Reserves

Prioritize reducing and ultimately eliminating its dependence on Tax Anticipation Notes (TANs) by improving cash flow management and building a healthy general fund reserve. TANs, while sometimes necessary for short-term liquidity, can create recurring debt service obligations, reduce budget flexibility, and reflect underlying structural imbalances.

By developing a more robust reserve policy and implementing proactive budgeting practices, including revenue forecasting, priority-based budgeting, and strategic spending reviews, the Borough can establish sufficient cash reserves to cover early-year expenses without borrowing, thereby strengthening overall financial stability and long-term fiscal health.

Recommendation #14 - Generate Meaningful Monthly, Quarterly & Annual Fiscal Reports

Establish a system for generating meaningful monthly, quarterly, and annual fiscal reports to improve financial oversight, transparency, and planning. These reports should provide a clear

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

and comprehensive overview of revenue and expenditure trends, fund balances, and budget variances enabling Borough Council and staff to make informed, timely decisions.

Monthly reports should focus on short-term financial performance, highlighting any significant discrepancies or areas requiring attention. Quarterly reports should offer a more in-depth analysis, comparing current performance with budget projections and providing early warnings for potential issues. Annual fiscal reports should provide a comprehensive review of the year's financial activities, allowing for strategic adjustments in the upcoming budget cycle.

The reports should be presented in a user-friendly format, ideally incorporating graphical representations of financial data to make trends and variances easy to identify. Additionally, these reports should be accessible to the public, enhancing transparency and accountability. This regular and systematic approach to fiscal reporting will ensure that the Borough is better equipped to manage its finances, track long-term trends, and maintain fiscal health.

Recommendation #15 - Shared Fiscal Director

Establish an Intergovernmental Agreement with neighboring municipalities or the county to jointly hire or share a qualified Fiscal Director. Smaller local governments often face challenges in attracting and retaining high-level financial expertise due to limited budgets and staffing capacity. A shared Fiscal Director position would allow participating entities to benefit from professional financial oversight, improved budgeting and forecasting, enhanced compliance with accounting standards, and more strategic fiscal planning at a cost that is manageable through shared resources.

This collaborative approach promotes efficiency, consistency in financial practices, and stronger regional partnerships.

Recommendation #16 - Implement Robust Cash Handling Procedures

Institute clear and comprehensive cash handling procedures to ensure accountability, minimize risk of errors, and protect public funds. These procedures should outline the process for receiving, recording, and depositing all cash transactions, including detailed protocols for securing cash until it is deposited into the appropriate accounts.

Key elements of the cash handling procedures should include:

- 1) **Segregation of Duties:** Assign different individuals to handle the receipt, recording, and depositing of cash to ensure a system of checks and balances.

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

- 2) **Documentation:** Require that all cash transactions be documented with receipts, logs, or other verifiable records. This documentation should be regularly reviewed to ensure accuracy and compliance with Borough policies.
- 3) **Timely Deposits:** Establish clear guidelines for depositing cash into the Borough's accounts, ensuring that funds are deposited promptly and intact to avoid discrepancies and reduce the risk of theft.
- 4) **Access Control:** Restrict access to cash and related financial records to authorized personnel only, and secure cash in a locked location when not in use.
- 5) **Training:** Provide ongoing training to staff involved in cash handling to ensure they understand and follow proper procedures and to mitigate potential errors or fraudulent activities.
- 6) **Regular Audits:** Implement regular internal audits and reviews of cash handling practices to ensure adherence to the established procedures and to detect any issues early.

With implementing these procedures, the Borough will enhance financial security, safeguard public trust, and ensure compliance with best management practices.

Recommendation #17 - Maximize Utility Savings Through Tax Exemption Documentation

Consult with an energy broker to confirm the Borough's eligibility for sales tax exemptions on utility purchases and ensure that the appropriate sales tax exemption documentation is provided and kept up to date. Many Pennsylvania municipalities are eligible for tax-exempt status on certain utility services, but failure to submit or renew the required paperwork can result in unnecessary costs.

Regularly verifying exemption status and submitting updated forms will help reduce utility expenses and ensure the Borough is not overpaying for essential services.

Recommendation #18 - Update Borough Fee Schedule

Conduct a comprehensive review and update of the Borough's fee schedule to ensure that charges for services, permits, and licenses accurately reflect the current cost of service delivery and align with comparable municipalities. An up-to-date fee schedule supports fiscal sustainability by helping to recapture costs associated with administrative processing, inspections, and infrastructure use. The review should include benchmarking against regional peers, input from relevant departments, and consideration of inflationary impacts.

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

Updating the fee schedule on an annual basis will support more accurate budgeting and improve transparency for residents and businesses.

Recommendation #19 -Engage a New Third-Party Payroll Provider

Transition to a modern, full-service payroll provider to improve efficiency, compliance, and employee access to records. Currently, pay stubs and W-2s are mailed each cycle, creating delays, added administrative work, and limited accessibility for employees. A new provider should offer a secure digital portal where staff can access pay stubs, W-2s, and tax documents on demand, reducing reliance on manual distribution and improving transparency.

By outsourcing to a qualified payroll service, the Borough can also ensure accurate wage processing, automated tax filings, and compliance with federal and state requirements. This approach will not only reduce the risk of payroll errors but also free staff capacity for higher-value administrative and operational responsibilities.

Recommendation #20 - Track and Report All Employee Overtime in the General Ledger

Implement procedures to ensure all overtime hours are recorded, monitored, and properly posted to the General Ledger. The Borough currently lacks any formal tracking of employee overtime, and no overtime costs are reflected in the General Ledger - indicating either underreporting or improper accounting. This omission not only impairs financial transparency but also hinders the Borough's ability to manage labor costs, comply with Fair Labor Standards Act (FLSA) requirements, and prepare accurate budgets.

All departments must report overtime consistently through standardized timesheets or payroll software, with proper coding to designated overtime accounts in the chart of accounts. Regular review of overtime trends should be incorporated into monthly financial reports to identify overages, inform staffing decisions, and support fiscal accountability.

Recommendation #21 - Temporarily Increase Taxes and Pursue Matching Grant Funds to Address Past Deficits

Consider a temporary, strategic increase in local taxes as a means to stabilize its financial position and begin rebuilding reserves depleted by previous years' operational shortfalls. This increase should be clearly communicated to the public as a short-term measure, designed not only to cover existing deficits but also to strengthen the Borough's eligibility for state and federal grant programs that require local matching funds.

***Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis -
September 2025***

By pairing this approach with an aggressive pursuit of matching grant opportunities, particularly for infrastructure, blight remediation, and community development, the Borough can maximize external investment while minimizing the long-term burden on taxpayers.

Recommendation #22 - Separate Dedicated Millage Revenues from the General Fund for EMS, Fire, and Library Services

Separate the revenue generated by dedicated millages, specifically the ½ mill for EMS, 1 mill for Fire, and ¼ mill for the Library, from the General Fund and account for them in distinct, designated funds to improve transparency and public trust in the Borough's finances. This practice will allow residents to clearly see how their tax dollars are allocated and ensure that these essential services are properly funded and managed. Isolating these revenues not only enhances fiscal accountability but also makes it easier to track expenditures, evaluate service delivery, and communicate funding needs or accomplishments to the public.

Recommendation #23 - Continued Financial Consulting Support to Stabilize and Strengthen Fiscal Operations

Retain professional financial consulting services through the end of the current fiscal year to resolve urgent fiscal management issues, guide implementation of best practices, and support transition to long-term sustainability. Given the Borough's significant financial management deficiencies - including lack of internal controls, unreliable reporting, and continued reliance on a Tax Anticipation Note (TAN) - continued engagement with qualified financial consultants is essential. Immediate support is needed to establish basic fiscal discipline, implement foundational reforms, and guide the Borough through a period of high risk and low capacity.

Key areas requiring professional attention include -

- Implementing a structured chart of accounts aligned with DCED standards.
- Using QuickBooks "classes" to segment departments and improve financial reporting.
- Developing a multi-year Capital Improvement Plan (CIP) and annual capital budgeting process.
- Instituting monthly cash flow projections and improved revenue forecasting
- Transitioning to or integrating a fund accounting platform to ensure audit readiness.
- Tracking and reporting overtime expenses in the General Ledger.
- Providing training to staff and Council on financial oversight roles and responsibilities.

Borough of Reynoldsville - Financial Condition Assessment and Financial Trend Analysis - September 2025

These reforms are urgent and cannot be delayed without further jeopardizing the Borough's fiscal integrity and operational effectiveness. Retaining financial consulting support through the end of the year - at minimum - will ensure continuity during this transition, support staff and elected officials with hands-on guidance, and help position the Borough to meet its obligations while building the foundation for more sustainable long-term management.

Facing the Numbers, Shaping the Future

Reynoldsville Borough confronts significant financial and operational challenges, largely stemming from a prolonged period of maintaining low tax rates, which has contributed to the depletion of financial reserves. The Borough exhibits signs of structural imbalance, relying on borrowing

Years of low tax rates, depleted reserves, negative cash flow, and limited administrative capacity have created a structural imbalance. Without immediate reforms, the Borough's ability to sustain essential services and maintain infrastructure will remain in jeopardy.

(reportedly equivalent to about 20% of the annual budget) to manage operations, and facing a critical liquidity situation, with reports indicating a significant negative cash position nearing -\$200,000 at year-end 2024. Compounding these financial pressures are underlying economic and demographic factors, including a declining population that shrinks the tax base and potentially outdated property assessment values.

At the same time, the Borough's financial practices remain fragmented and inconsistent. The use of vague budget categories, poor classification of expenditures, and reliance on outdated accounting practices obscure the Borough's true financial position and limit transparency. These weaknesses not only make it difficult for Borough Council and the public to understand the Borough's financial health but also undermine the ability to plan responsibly for the future. The absence of structured policies - such as a Capital Improvement Plan, succession strategies, and dedicated reserve funds - further magnifies these risks, leaving little buffer against unexpected fiscal or operational shocks.

Yet, while the situation is serious, all is not lost. The completion of this Financial Conditions Assessment and Fiscal Trend Analysis marks only the first steps in the STMP process. The upcoming Management Audit (Step 4) will provide a deeper look into organizational practices, staffing, and service delivery, while the Strategic Action Plan and Implementation Timeline (Steps 5 and 6) will define concrete, prioritized measures to restore stability, modernize operations, and position the Borough for long-term sustainability. With committed leadership, a willingness to adopt modern financial practices, and support through subsequent STMP phases, Reynoldsville has the opportunity to confront its challenges directly and begin rebuilding both its fiscal health and public trust. The most important step now is to act.

