

Borough of Crafton

Cash Basis Financial Statements and Supplementary Information

**Year Ended December 31, 2024
with Independent Auditor's Report**

MaherDuessel

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BOROUGH OF CRAFTON

YEAR ENDED DECEMBER 31, 2024

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Independent Auditor's Report

**Members of Council
Borough of Crafton, Pennsylvania**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Crafton (Borough), Pennsylvania, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Borough's cash basis financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 2024, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting as described in Note 2 of the Financial Statements.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2 of the financial statements, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the

financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
March 24, 2025

BOROUGH OF CRAFTON

STATEMENT OF NET POSITION (CASH BASIS)

DECEMBER 31, 2024

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,536,186	\$ 887,413	\$ 7,423,599
Internal balances	(103,671)	103,671	-
Total Assets	\$ 6,432,515	\$ 991,084	\$ 7,423,599
Net Position			
Net Position:			
Restricted for:			
Highways, roads, and streets	1,505,205	-	1,505,205
Capital projects	2,970,388	-	2,970,388
Unrestricted	1,956,922	991,084	2,948,006
Total Net Position	\$ 6,432,515	\$ 991,084	\$ 7,423,599

The notes to financial statements (cash basis) are an integral part of this statement.

BOROUGH OF CRAFTON

STATEMENT OF ACTIVITIES (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Functions/Programs	Expenditures	Program Receipts		Capital Grants and Contributions	Net (Expenditures) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,330,972	\$ 101,097	\$ 45,795	\$ -	\$ (1,184,080)	\$ -	\$ (1,184,080)
Public safety	1,900,326	90,442	355,168	-	(1,454,716)	-	(1,454,716)
Public works - highway	2,266,979	-	169,542	46,550	(2,050,887)	-	(2,050,887)
Public works - sanitation	605,864	654,080	-	-	48,216	-	48,216
Culture and recreation	1,168,201	189,299	-	-	(978,902)	-	(978,902)
Community Development	47,131	-	-	-	(47,131)	-	(47,131)
Debt service	567,331	-	-	-	(567,331)	-	(567,331)
Total governmental activities	7,886,804	1,034,918	570,505	46,550	(6,234,831)	-	(6,234,831)
Business-type activities - Sewer Fund	2,586,126	2,613,771	-		-	27,645	27,645
Total primary government	\$ 10,472,930	\$ 3,648,689	\$ 570,505		(6,234,831)	27,645	(6,207,186)
General revenues:							
Taxes:							
Real estate					2,380,667	-	2,380,667
Earned income					1,039,938	-	1,039,938
Other					631,906	-	631,906
Interest earnings					295,705	57,182	352,887
Miscellaneous					12,632	-	12,632
Proceeds from sale of capital assets					26,838	-	26,838
Transfers					512,190	(512,190)	-
Total general revenues and transfers					4,899,876	(455,008)	4,444,868
Change in Net Position					(1,334,955)	(427,363)	(1,762,318)
Net Position:							
Beginning of year					7,767,470	1,418,447	9,185,917
End of year					\$ 6,432,515	\$ 991,084	\$ 7,423,599

The notes to financial statements (cash basis) are an integral part of this statement.

BOROUGH OF CRAFTON

BALANCE SHEET (CASH BASIS)

GOVERNMENTAL FUNDS

DECEMBER 31, 2024

	General Fund	Capital Projects Fund	Other Governmental Funds Highway Aid	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,059,593	\$ 4,396,306	\$ 80,287	\$ 6,536,186
Due from other funds	-	240,235	-	240,235
Total Assets	<u>\$ 2,059,593</u>	<u>\$ 4,636,541</u>	<u>\$ 80,287</u>	<u>\$ 6,776,421</u>
Liabilities and Fund Balance				
Liabilities:				
Due to other funds	\$ 343,906	\$ -	\$ -	\$ 343,906
Total Liabilities	<u>343,906</u>	<u>-</u>	<u>-</u>	<u>343,906</u>
Fund Balance:				
Restricted for:				
Highways, roads, and streets	-	1,424,918	80,287	1,505,205
Capital projects	-	2,970,388	-	2,970,388
Assigned for:				
Capital projects	-	241,235	-	241,235
Unassigned	1,715,687	-	-	1,715,687
Total Fund Balance	<u>1,715,687</u>	<u>4,636,541</u>	<u>80,287</u>	<u>6,432,515</u>
Total Liabilities and Fund Balance	<u>\$ 2,059,593</u>	<u>\$ 4,636,541</u>	<u>\$ 80,287</u>	<u>\$ 6,776,421</u>

The notes to financial statements (cash basis) are an integral part of this statement.

BOROUGH OF CRAFTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CASH BASIS)

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2024

	General Fund	Capital Projects Fund	Other Governmental Funds Highway Aid	Total Governmental Funds
Revenues:				
Taxes	\$ 3,396,575	\$ 667,447	\$ -	\$ 4,064,022
Licenses and permits	97,767	-	-	97,767
Fines and forfeitures	25,319	-	-	25,319
Interest and rents	158,789	131,687	5,229	295,705
Intergovernmental	400,963	46,550	169,542	617,055
Charges for services	911,832	-	-	911,832
Miscellaneous	12,632	-	-	12,632
Total revenues	5,003,877	845,684	174,771	6,024,332
Expenditures:				
General government	1,301,690	29,282	-	1,330,972
Public safety	1,900,326	-	-	1,900,326
Public works - highway	1,012,274	1,254,705	-	2,266,979
Public works - sanitation	605,864	-	-	605,864
Culture and recreation	452,549	715,652	-	1,168,201
Community development	46,301	830	-	47,131
Debt service - principal	62,519	271,692	-	334,211
Debt service - interest	9,517	223,603	-	233,120
Total expenditures	5,391,040	2,495,764	-	7,886,804
Excess (Deficiency) of Revenues over Expenditures	(387,163)	(1,650,080)	174,771	(1,862,472)
Other Financing Sources (Uses):				
Refund of prior year revenues	(8,906)	(2,605)	-	(11,511)
Proceeds from sale of capital assets	26,838	-	-	26,838
Transfers in	947,792	495,295	-	1,443,087
Transfers out	(517,295)	(272,839)	(140,763)	(930,897)
Total other financing sources (uses)	448,429	219,851	(140,763)	527,517
Net Change in Fund Balance	61,266	(1,430,229)	34,008	(1,334,955)
Fund Balance:				
Beginning of year	1,654,421	6,066,770	46,279	7,767,470
End of year	\$ 1,715,687	\$ 4,636,541	\$ 80,287	\$ 6,432,515

The notes to financial statements (cash basis) are an integral part of this statement.

BOROUGH OF CRAFTON

STATEMENT OF NET POSITION (CASH BASIS)

PROPRIETARY FUND

DECEMBER 31, 2024

	Sewer Fund
Assets	
Cash and cash equivalents	\$ 887,413
Due from other funds	103,671
Total Assets	<u>\$ 991,084</u>
Net Position	
Unrestricted	<u>\$ 991,084</u>

The notes to financial statements (cash basis) are an integral part of this statement.

BOROUGH OF CRAFTON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CASH BASIS)

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2024

	<u>Sewer Fund</u>
Operating Revenues:	
Charges for services	<u>\$ 2,613,771</u>
Operating Expenses:	
ALCOSAN charges	1,386,740
Billing fees	42,956
Repairs and maintenance	28,818
Engineering	388,571
Miscellaneous	<u>20,354</u>
Total operating expenses	<u>1,867,439</u>
Operating Income	746,332
Nonoperating Revenues (Expenses):	
Interest income	57,182
Capital construction and purchases	(593,944)
Debt service - principal	(116,297)
Debt service - interest	<u>(8,446)</u>
Total nonoperating revenues (expenses)	<u>(661,505)</u>
Income Before Transfers	84,827
Transfers In (Out):	
Transfers out	<u>(512,190)</u>
Total transfers in (out)	<u>(512,190)</u>
Change in Net Position	(427,363)
Net Position:	
Beginning of year	<u>1,418,447</u>
End of year	<u><u>\$ 991,084</u></u>

The notes to financial statements (cash basis) are an integral part of this statement.

BOROUGH OF CRAFTON

STATEMENT OF FIDUCIARY NET POSITION (CASH BASIS)

FIDUCIARY FUNDS

DECEMBER 31, 2024

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 464,472
Investments	7,692,580
Total Assets	<u>\$ 8,157,052</u>
Net Position	
Restricted for pension benefits	<u>\$ 8,157,052</u>

The notes to financial statements (cash basis) are an integral part of this statement.

BOROUGH OF CRAFTON

STATEMENT OF FIDUCIARY CHANGES IN NET POSITION (CASH BASIS)

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2024

	Pension Trust Funds
Additions:	
Contributions:	
Employer, including state aid	\$ 182,455
Employee	45,293
	<u>227,748</u>
Total contributions	
	<u>227,748</u>
Net investment income (loss):	
Net increase (decrease) in fair value of investments	961,654
Interest and dividends	225,069
	<u>1,186,723</u>
Net investment income (loss)	
	<u>1,186,723</u>
Total additions	
	<u>1,414,471</u>
Deductions:	
Benefits/withdrawals	311,766
Administrative expenses	95,245
	<u>407,011</u>
Total deductions	
	<u>407,011</u>
Change in Net Position	1,007,460
Net Position:	
Beginning of year	<u>7,149,592</u>
End of year	<u><u>\$ 8,157,052</u></u>

The notes to financial statements (cash basis) are an integral part of this statement.

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

1. The Reporting Entity

The Borough of Crafton (Borough), Allegheny County, was incorporated as a Borough on January 8, 1892. The Borough operates under the mayor/council form of government in accordance with the Commonwealth of Pennsylvania's Borough Code. The Borough provides the following services as authorized by the Borough's code: general government, public safety, public works – sanitation, public works – highway, and culture and recreation.

2. Summary of Significant Accounting Policies

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position (cash basis) and the statement of activities (cash basis)) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities (cash basis) demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to the timing of the recognition of amounts in the financial statements. The Borough maintains its financial statements on the cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

of America. Accordingly, amounts are generally recognized when received rather than when earned and when paid rather than when obligations were incurred. Inventories, principally supplies, are accounted for as expenditures when purchased.

The accounts of the Borough are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, fund equity, revenues, and expenditures or expenses, as appropriate.

The Borough reports the following major governmental funds:

The *General Fund* is the principal operating fund of the Borough, which is used to account for all financial transactions except those accounted for in other funds.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital assets and bond proceeds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The Borough reports the following major proprietary fund:

The *Sewer Fund* is used to account for operations of the Borough's sewage treatment system, which is funded primarily from user charges. Operating expenses for the Sewer Fund include the ALCOSAN charges, billing fees, repairs and maintenance, engineering, capital purchases, and other miscellaneous expenses directly related to providing services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the Borough reports the following other governmental funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. The *Highway Aid Fund* is used to account for funding received from the Commonwealth of Pennsylvania and is restricted in use for the maintenance, repair, and construction of roads, streets, and bridges for which the Borough is responsible. This fund is classified as a special revenue fund type.

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Borough programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds, which use accrual accounting. The Borough reports on the following fiduciary funds:

The *Pension Trust Funds* are used to account for activities related to the Non-Uniform Employees and Police pension plans. These funds are held by the Borough in a trustee capacity.

Budgets

In December 2023, the Borough adopted its 2024 annual budget for its General Fund in accordance with the provisions of the Borough Code. The General Fund budget was prepared utilizing the cash basis of accounting. All annual appropriations of the General Fund lapse at calendar year-end.

The Borough uses the following procedures in establishing this budgetary data:

- a. The budgeting process begins in August of each year by sending out budget request forms to departments and preparing revenue projections. The Council then meets in budget workshops, which are advertised and open to the public, to review revenue projections and discuss budget requests with department heads.
- b. In accordance with the Borough Code, beginning at least 30 days prior to the adoption of the budget, which shall not be later than December 31, a proposed budget for the ensuing year shall be prepared. The proposed budget shall be kept on file with the Borough secretary and made available for public inspection for a period of ten days. Notice that the proposed budget is available for inspection is published in a newspaper of general circulation. After expiration of the ten days, Council makes such revisions in the budget as deemed advisable and shall adopt the budget by motion.
- c. Transfers of budget amounts are authorized between departments within any fund. However, any revisions that alter the total appropriations of any fund must be approved by the Council.
- d. The budget amounts shown as supplementary information are the original and final amounts for the year ended December 31, 2024.

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Annual appropriated budgets are not adopted for all funds reported in these financial statements. For the year ended December 31, 2024, operating expenditures in the General Fund exceeded budgeted appropriations for cultural and recreation and community development. These overages were funded by fund balance.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Borough's governmental activities and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These items are presented as internal balances and eliminated in the total primary government column.

Investments – Pension Funds

The Pension Trust Funds deposits and investments are held separately from those of the Borough and are stated at fair value.

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Borough's investments are determined to be measured at Level 1 inputs.

Long-term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. Bond premiums are recognized during the current period. The debt proceeds and premiums are reported as other financing sources and payment of principal and interest is reported as expenditures.

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Compensated Absences

The Borough allows for the carryover of unused sick days to future years. In general, upon retirement, employees can receive payments for up to half the value of these sick days up to a fixed number of days ranging from 25 to 50 days, depending on the job description of the employee.

Net Position

The government-wide financial statements of the Borough report the following components of net position:

- Restricted - This component of net position consists of constraints placed on assets through external restrictions.
- Unrestricted - This component of net position consists of assets that do not meet the definition of "restricted."

The Borough applies restricted resources first, when available, before using unrestricted resources, to pay expenditures that can be paid from either source.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels that are applicable to the Borough are:

- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are legally restricted for capital projects through highways, roads, and streets through state funding.
- Assigned – This category represents intentions of the Borough to use the funds for specific purposes. The Borough Council and the Borough Manager have authorization to assign fund balance. This category includes amounts set aside for capital projects.

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

- Unassigned – This category includes the residual classification for the Borough's General Fund and includes all spendable amounts not contained in other classifications.

The Borough's policy is to use funds in the order of the most restrictive to the least restrictive.

Adopted Pronouncements

The following GASB Statements were adopted for the year ended December 31, 2024: Statement Nos. 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). These statements had no significant impact on the Borough's financial statements for the year ended December 31, 2024.

Pending Pronouncements

GASB has issued statements that will become effective in future years including Statement Nos. 102 (Certain Risk Disclosures), 103 (Financial Reporting Model Improvements), and 104 (Disclosure of Certain Capital Assets). Management has not yet determined the impact of these statements on the financial statements.

3. Cash and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of funds for investment purposes.

The deposit and investment policy of the Borough adheres to state statutes. Deposits of the Borough's governmental funds and proprietary fund are maintained in interest-bearing demand deposits, governmental investment pools, or savings accounts.

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Governmental Funds and Proprietary Fund

The following is a description of the Borough's risks related to cash and cash equivalents:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough's deposit policy requires deposits to be held in institutions that are insured by one of the federal deposit insurance organizations and when the value of the Borough's deposits exceed the insurable limits, the additional sums must be secured by collateral pledged by the depository.

As of December 31, 2024, \$7,216,130 of the Borough's bank balance of \$7,466,130 was exposed to custodial credit risk which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

The Borough's investments in PLGIT are not exposed to custodial credit risk, because they are not evidenced by securities that exist in physical or book entry form. The fair value of the Borough's investment in PLGIT (an external investment pool) is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania.

The Borough can withdraw funds from the external investment pools. However, there are certain limitations placed on these withdrawals. For PLGIT PLUS accounts, there is a 30-day holding period for each deposit and a penalty for early withdrawal.

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Borough has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2024, investments in PLGIT received a AAA rating.

Interest Rate Risk – The Borough has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments have an average maturity of less than one year.

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

As of December 31, 2024, the Borough held the following cash and cash equivalents:

	Governmental	Proprietary	Total
Deposit accounts	\$ 6,536,186	\$ 887,413	\$ 7,423,599

Investments – Pension Trust Funds

The fair value of the Borough's Pension Trust Funds' investments at December 31, 2024 was \$8,157,052, of which \$464,472 was invested in money market funds and \$7,692,580 was invested in exchange-traded funds and mutual funds. The Borough's investment policy is described further in Note 7.

As of December 31, 2024, the Borough's Pension Trust Funds had the following cash equivalents and investments:

Cash or Investment Type	Fair Value
Cash and cash equivalents	\$ 464,472
Exchange-traded funds - fixed income	1,718,535
Exchange-traded funds - equity	1,285,197
Mutual funds - equity	1,306,194
Mutual funds - fixed income	3,382,654
Total cash, cash equivalents, and investments reported on statement of fiduciary net position	\$ 8,157,052

Mutual funds and exchange traded funds are valued using quoted market prices (Level 1 inputs).

The following is a description of the Pension Trust Funds' investments risks:

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Borough's fiduciary fund investments in mutual funds are not exposed to custodial credit risk, because their existence is not evidenced by securities that exist in physical or book entry form.

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Financial instruments potentially expose the pension trust funds to various risks such as concentrations of credit risk and market risks. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near-term and that such changes could materially affect the amount reported on the combining statement of fiduciary net position (cash basis).

Investment Policy

The plans' policies in regard to the allocation of invested assets are established and may be amended by Council by a majority vote of its members. It is the policy of Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following is the asset allocation policy for each major asset class included in the plans' target asset allocation:

Asset Class	Target Allocation		
	Police	Non-Uniform Employees	Drop
Equities	65.0%	65.0%	65.0%
Fixed income	35.0%	35.0%	35.0%
	100.0%	100.0%	100.0%

4. Property Taxes

The Borough levies property taxes on March 1st of each calendar year. The calendar dates for payment of these taxes are as follows:

March 1 – August 31	Discount Period
May 1 – December 31	Face Period
January 1 of next year	Lien Date

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Taxpayers are entitled to a 2% discount if taxes are paid prior to May 1st. Collections after June 30th are assessed a 10% penalty. Taxes unpaid as of January 1 of the year following year are lien through Allegheny County.

The tax millage assessment for the 2024 calendar year is 8.59 mills on the assessed value of land and buildings, which represents \$8.59 of revenue for every \$1,000 of assessed value. Of the 8.59 mills, the Borough has restricted 2.42 mills for road improvements.

5. Interfund Receivables, Payables, and Transfers

Interfund receivables, payables, and transfers for the year ended December 31, 2024 were comprised of the following amounts:

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds:				
General Fund	\$ 947,792	\$ (517,295)	\$ -	\$ (343,906)
Capital Projects Fund	495,295	(272,839)	240,235	-
Sewer Fund	-	(512,190)	103,671	-
Other Governmental Funds:				
Highway Aid Fund	-	(140,763)	-	-
	<u>\$ 1,443,087</u>	<u>\$ (1,443,087)</u>	<u>\$ 343,906</u>	<u>\$ (343,906)</u>

The amounts reported as interfund receivables and payables represent cash that was deposited into one fund but belong in another fund. Subsequent to year end, approximately \$164,000 was repaid to the appropriate fund.

Transactions between funds that are not expected to be repaid are accounted for as transfers. In cases where repayment is expected within the next fiscal year, the transactions are accounted for through due to and due from accounts.

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

6. Debt

Guaranteed Revenue Note, Series 2005

In October 2005, the Pennsylvania Infrastructure Investment Authority (PennVest) provided funding for the cost of construction projects involving the Borough's sewer system and refunding a line of credit. The total amount of the note was \$1,016,931 and is repaid by the Sewer Fund. The note carries an interest rate of 2.97%. The loan has a maturity date of August 1, 2026 and is secured by the revenues of the sewer system. Upon the occurrence of any event of default, then the entire unpaid principal plus all interest accrued thereon plus all other sums due and payable under the note shall, at the option of PennVest, become due and payable immediately. Additionally, PennVest may exercise all rights and remedies with respect to the collateral.

Guaranteed Revenue Note, Series 2007

In April 2007, PennVest provided funding for the cost of construction projects involving the Borough's sewer system. The total amount of the note was \$824,235 and is repaid by the Sewer Fund. The note carries an interest rate of 2.56%. The loan has a maturity date of November 1, 2027 and is secured by the revenues of the sewer system. Upon the occurrence of any event of default, then the entire unpaid principal plus all interest accrued thereon plus all other sums due and payable under the note shall, at the option of PennVest, become due and payable immediately. Additionally, PennVest may exercise all rights and remedies with respect to the collateral.

A summary of future payments on the Borough's notes is as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 109,636	\$ 5,253	\$ 114,889
2026	90,524	2,255	92,779
2027	42,963	564	43,527
	<u>\$ 243,123</u>	<u>\$ 8,072</u>	<u>\$ 251,195</u>

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

General Obligation Bonds, Series 2021

In February 2021, the Borough issued \$8,625,000 in General Obligation Bonds for improvements to the Borough's infrastructure, including sewer separation, road reconstruction, sidewalk replacement, and upgrades to other municipal properties and to pay the costs of issuing and insuring the Bonds. Interest payments are payable semi-annually on June 1 and December 1 with rates ranging from 1.530% to 1.890% until maturity. The Bonds stated to mature on or after December 1, 2027 shall be subject to redemption prior to maturity, at the option of the Borough, as a whole, on December 1, 2026, or on any date thereafter, or from time to time, in part (and if in part, in any order of maturities as selected by the Borough and within a maturity by lot) in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date. In the manner and upon the terms and conditions provided in the Ordinance, the Bonds stated to mature on December 1 of the years 2040, 2045, and 2050 are subject to annual redemption pursuant to the operation of the Sinking Fund in the manner set forth in the Ordinance at a redemption price equal 100% of the principal amount thereof, together with accrued interest, on December 1 of the following years. The 2021 Bonds have a final maturity date of December 1, 2050. The bonds are secured by a pledge of tax and other general revenues. In the event of failure to pay principal and interest when due that exceeds thirty days, any bond holder may bring suit for the amount due. Future year debt service payments are expected to be paid from the Capital Projects Fund.

A summary of future payments on the Borough's bonds is as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 230,000	\$ 210,750	\$ 440,750
2026	235,000	206,150	441,150
2027	240,000	201,450	441,450
2028	245,000	196,650	441,650
2029	250,000	191,750	441,750
2030-2034	1,325,000	881,750	2,206,750
2035-2039	1,465,000	735,350	2,200,350
2040-2044	1,685,000	511,650	2,196,650
2045-2049	1,955,000	243,000	2,198,000
2050	425,000	12,750	437,750
	<u>\$ 8,055,000</u>	<u>\$ 3,391,250</u>	<u>\$ 11,446,250</u>

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Financed Purchases

In 2019, the Borough entered into a financed purchase with PNC for a street sweeper. The agreement expired in 2024 and contained a bargain purchase option.

In 2020, the Borough entered into a financed purchase with US Bank for a fire truck. The agreement expires in 2030 and contains a bargain purchase option.

In 2022, the Borough entered into a financed purchase with Huntington Bank for a fire truck. The agreement expired in 2024 and contained a bargain purchase option.

In 2024, the Borough entered into a financed purchase with Huntington Bank for a Skid Steer. The agreement expires in 2027 and contains a bargain purchase option.

In 2024, the Borough entered into a financed purchase with Huntington Bank for a truck. The agreement expires in 2026 and contains a bargain purchase option.

The collateral in all cases for the above agreements is the financed asset.

A summary of the Borough's financed purchases outstanding as of December 31, 2024 is as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 111,572	\$ 13,549	\$ 125,121
2026	115,945	9,176	125,121
2027	59,002	5,014	64,016
2028	56,365	3,780	60,145
2029	57,598	2,547	60,145
2030	58,857	1,287	60,144
	<u>\$ 459,339</u>	<u>\$ 35,353</u>	<u>\$ 494,692</u>

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

The following summarizes the changes in the Borough's long-term debt obligations during the year ended December 31, 2024:

	Balance at January 1, 2024	Additions	Deletions	Balance at December 31, 2024	Due Within One Year
Direct Borrowing - GR Note 2005	\$ 168,730	\$ -	\$ 61,757	\$ 106,973	\$ 64,037
Direct Borrowing - GR Note 2007	180,600	-	44,450	136,150	45,599
GO Bonds 2021	8,275,000	-	220,000	8,055,000	230,000
Financed Purchase 2019	9,818	-	9,818	-	-
Financed Purchase 2020	386,471	-	51,692	334,779	52,822
Financed Purchase 2022	10,605	-	10,605	-	-
Financed Purchase 2024	-	63,894	16,620	47,274	21,108
Financed Purchase 2024	-	112,852	35,566	77,286	37,642
	<u>\$ 9,031,224</u>	<u>\$ 176,746</u>	<u>\$ 450,508</u>	<u>\$ 8,757,462</u>	<u>\$ 451,208</u>

7. Pension Plans

Plan Descriptions

The Borough administers three single-employer defined benefit pension plans covering substantially all full-time employees: Police Pension Plan (Police Plan), Non-Uniform Pension Plan (Non-Uniform Plan) and Deferred Retirement Option Program (DROP). All plans provide retirement benefits and special provisions for death benefits to plan members. The plans do not issue separate reports.

At December 31, 2024, Plan membership consisted of the following:

	Police Plan	Non-Uniform Plan	Drop Plan
Inactive plan members or beneficiaries currently receiving benefits	7	9	-
Inactive plan members entitled to but not yet receiving benefits	-	2	-
Active plan members	8	11	1
Total plan members	<u>15</u>	<u>22</u>	<u>1</u>

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Contributions and Funding Policy

Act 205 of 1984 of the Commonwealth of Pennsylvania (Act) requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO, which exceeds the Commonwealth of Pennsylvania allocation, must be funded by the Borough (and could include employee contributions). The 2024 MMO was based on the January 1, 2021 actuarial valuation.

For 2024, the only employee group required to contribute was the police, based upon the financial requirements established by their collective bargaining contract. In 2024, the police contribution rate was 5%. Municipal employees were not required to contribute to their plan.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

Actuarial Assumptions

The actuarial assumptions for the plans as of the latest actuarial valuation date, January 1, 2023, are as follows:

	Police	Non-Uniform Employees
Actuarial valuation date	1/1/2023	1/1/2023
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	6.75%	6.75%
Projected salary increases	4.75%	4.00%
Underlying inflation rate	2.75%	2.75%

2010 Public Retirement Plans Public General employees mortality tables (PubG-2010). Rates projected from base year 2020 with rates derived from the Long-Range Demographic Assumptions for the Social Security Administration's 2020 Trustee Report

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Changes in Actuarial Assumptions

Police Plan

One actuarial assumption changed since the January 1, 2021 actuarial report valuation for the Police Plan including: the inflation assumption was raised from 2.50% to 2.75% per year. The assumption change decreased the actuarial accrued liability by \$501,312.

Non-Uniform Plan

Several actuarial assumptions were changed since the January 1, 2021 actuarial report valuation for the Non-Uniform Plan including: the inflation assumption was raised from 2.50% to 2.75% per year and the assumed interest rate was lowered from 7.00% to 6.75% per year. The assumption changes decreased the actuarial accrued liability by \$114,778.

Benefit Changes

There were no changes noted in the benefits from the January 1, 2021 actuarial report valuation for either the Police Plan or the Non-Uniform Plan.

Funded Status

The Borough's funded status and related information for the plans as of the latest actuarial valuation date, January 1, 2023, is as follows:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Police	\$ 5,514,434	\$ 4,983,436	\$ 530,998	110.7%	\$ 851,492	62.4%
Non-Uniform	1,756,277	1,911,748	(155,471)	91.9%	684,274	-22.7%

Deferred Retirement Option Program (DROP)

The Police Plan includes a DROP. Active participants who have attained age 50 and the completion of 25 or more years of credited service with the Borough's Police Department are eligible to participate for a period of three years beginning on the first day of any calendar month coinciding with or next following the date the individual attains age 50 and the completion of 25 or more years of credited service. Participation shall automatically

BOROUGH OF CRAFTON

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

end on the third anniversary of the effective date of participation in the DROP, or if earlier, on the date of their death or the date his covered employment terminates. Distribution of a DROP account to a DROP participant is made after the later of the date participation ends for any reason other than death or the date the participant files the application for distribution. At December 31, 2024, there was one employee participating in the DROP Plan. The amount held by the Police Plan pursuant to the DROP at December 31, 2024 was \$169,431.

8. Risk Management

The Borough is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors, and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

9. Commitments and Contingent Liabilities

The Borough is a party to various legal actions normally associated with municipalities, the aggregate effect of which, in management's opinion, would not be material to the financial position of the Borough.

SUPPLEMENTARY INFORMATION

BOROUGH OF CRAFTON

BUDGETARY COMPARISON SCHEDULE (CASH BASIS)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 3,373,382	\$ 3,373,382	\$ 3,396,575	\$ 23,193
Licenses and permits	92,700	92,700	97,767	5,067
Fines and forfeitures	35,000	35,000	25,319	(9,681)
Interest and rents	266,060	266,060	158,789	(107,271)
Intergovernmental	481,499	481,499	400,963	(80,536)
Charges for services	965,550	965,550	911,832	(53,718)
Miscellaneous	82,000	82,000	12,632	(69,368)
Total revenues	5,296,191	5,296,191	5,003,877	(292,314)
Expenditures:				
General government	1,302,888	1,302,888	1,301,690	1,198
Public safety	1,939,025	1,939,025	1,900,326	38,699
Public works - highway	1,073,575	1,073,575	1,012,274	61,301
Public works - sanitation	680,200	680,200	605,864	74,336
Culture and recreation	466,929	466,929	452,549	14,380
Community development	-	-	46,301	(46,301)
Debt service - principal	255,566	255,566	62,519	193,047
Debt service - interest	215,150	215,150	9,517	205,633
Total expenditures	5,933,333	5,933,333	5,391,040	542,293
Excess (Deficiency) of Revenues over Expenditures	(637,142)	(637,142)	(387,163)	249,979
Other Financing Sources (Uses):				
Refund of prior year revenues	4,600	4,600	(8,906)	(13,506)
Proceeds from sale of capital assets	42,500	42,500	26,838	(15,662)
Transfers in	897,443	897,443	947,792	50,349
Transfers out	(22,000)	(22,000)	(517,295)	(495,295)
Total other financing sources (uses)	922,543	922,543	448,429	(474,114)
Net Change in Fund Balance	\$ 285,401	\$ 285,401	61,266	\$ (224,135)
Fund Balance:				
Beginning of year			1,654,421	
End of year			\$ 1,715,687	

BOROUGH OF CRAFTON

COMBINING STATEMENT OF PLAN NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2024

	Non-Uniform Employees	Police	DROP	Total
Assets				
Cash and cash equivalents	\$ 34,895	\$ 260,146	\$ 169,431	\$ 464,472
Investments (at fair value):				
Exchange-traded funds - fixed income	420,441	1,298,094	-	1,718,535
Exchange-traded funds - equity	312,563	972,634	-	1,285,197
Mutual funds - equity	319,147	987,047	-	1,306,194
Mutual funds - fixed income	835,537	2,547,117	-	3,382,654
Total Assets	1,922,583	6,065,038	169,431	8,157,052
Net Position				
Restricted for pension benefits	<u>\$ 1,922,583</u>	<u>\$ 6,065,038</u>	<u>\$ 169,431</u>	<u>\$ 8,157,052</u>

BOROUGH OF CRAFTON

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION (CASH BASIS)

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2024

	Non-Uniform Employees	Police	Drop	Total
Additions:				
Contributions:				
Employer, including state aid	\$ 81,614	\$ 100,841	\$ -	\$ 182,455
Employee	-	45,293	-	45,293
Total contributions	81,614	146,134	-	227,748
Net investment income (loss):				
Net increase (decrease) in fair value of investments	538,132	423,522	-	961,654
Interest and dividends	54,007	170,556	506	225,069
Net investment income (loss)	592,139	594,078	506	1,186,723
Total additions	673,753	740,212	506	1,414,471
Deductions:				
Benefits/withdrawals	132,345	179,421	-	311,766
Administrative expenses	30,550	64,537	158	95,245
Total deductions	162,895	243,958	158	407,011
Transfers	-	(58,463)	58,463	-
Change in Net Position	510,858	437,791	58,811	1,007,460
Net Position:				
Beginning of year	1,411,725	5,627,247	110,620	7,149,592
End of year	\$ 1,922,583	\$ 6,065,038	\$ 169,431	\$ 8,157,052