

CITY OF SCRANTON, PENNSYLVANIA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**CITY OF SCRANTON, PENNSYLVANIA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	19
STATEMENT OF ACTIVITIES	21
BALANCE SHEET – GOVERNMENTAL FUNDS	22
RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	25
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	27
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	28
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	29
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	30
STATEMENT OF FIDUCIARY NET POSITION	31
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	32
NOTES TO FINANCIAL STATEMENTS	33
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS – POLICE PENSION PLAN	70
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS – FIREMEN PENSION PLAN	71
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS – NONUNIFORMED PENSION PLAN	72
SCHEDULE OF CITY CONTRIBUTIONS – PENSION PLANS	73

**CITY OF SCRANTON, PENNSYLVANIA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022**

SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS – POLICE OPEB PLAN	74
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS – FIREMEN OPEB PLAN	75
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS – NONUNIFORMED OPEB PLAN	76
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	77
SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND	79
SUPPLEMENTARY INFORMATION	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	80
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	81
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	82
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	83
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	85
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	87
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	90
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	95
CORRECTIVE ACTION PLAN	98



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
City Council
City of Scranton, Pennsylvania

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Scranton, Pennsylvania, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Scranton, Pennsylvania's basic financial statements as listed in the table of contents.

We did not audit the financial statements of the Redevelopment Authority of the City of Scranton which represent 1.3 percent, 0.1 percent and (47.1) percent, respectively of the assets, fund balance and revenues of the aggregate remaining fund information as of December 31, 2022. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for and Redevelopment Authority of the City of Scranton, are based solely on the report of the other auditors.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
Each Major Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Scranton, Pennsylvania as of December 31, 2022, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members
City Council
City of Scranton, Pennsylvania

Unmodified Opinions on Governmental Activities, Business-Type Activities, Each Major Fund and Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Scranton, Pennsylvania, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Scranton, Pennsylvania and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the City of Scranton, Pennsylvania's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for that component unit to be reported with the financial data of the City of Scranton, Pennsylvania's primary government, unless the City of Scranton, Pennsylvania also issues financial statements for the financial reporting entity that include the financial data for its legally separate component unit. The City of Scranton, Pennsylvania has not issued such reporting entity financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Scranton, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 GAAS and *Government 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 GAAS and *Government 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 City of Scranton, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Scranton, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of changes in the City's net pension liability and related ratios, schedules of the City's contributions – pension plans and schedules of changes in the City's OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

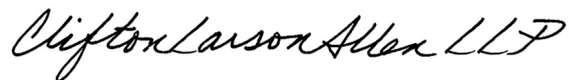
Honorable Mayor and Members
City Council
City of Scranton, Pennsylvania

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Scranton, Pennsylvania’s basic financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the combining nonmajor fund financial statements and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the City of Scranton, Pennsylvania’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Scranton, Pennsylvania’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Scranton, Pennsylvania’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
December 15, 2023

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

INTRODUCTION

This Management Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the City of Scranton (City) for the fiscal year ended December 31, 2022. We recommend that it be read in conjunction with the accompanying basic financial statements and notes to financial statements in order to obtain a thorough understanding of the City's financial condition on December 31, 2022. The MD&A focuses on the City's primary government. Component units, unless otherwise noted, are not included in this discussion.

FINANCIAL HIGHLIGHTS

- The City exited the Commonwealth's Act 47 Financial Distress program on January 25, 2022, ending three decades of Act 47 oversight.
- In January 2022, the City issued a tax anticipation note in the amount of \$10,000,000, a reduction from the \$12,200,000 tax anticipation note issued in 2021.
- The City's assessed value for tax purposes in 2022 was a total of \$597,746,262, of which \$377,513,373 was taxable and \$220,232,889 was nontaxable.
- The City real estate tax millage remained constant at 239.521 mills for land and 50.564 mills for improvements.
- The City implemented a new payroll preparation tax and repealed the City's business privilege tax and mercantile tax.
- The City experienced an increase in revenue from its earned income tax and real estate transfer tax.
- The City timely made its 2022 debt service payments and incurred no new long-term debt in 2022.
- The City made its final \$100,000 annual payment in 2022 on the 2012 DCED Act 47 interest-free loan of \$1,000,000.
- The City timely made its 2022 pension Minimum Municipal Obligation payment of \$12,269,084.
- The City created an Other Post Employment Benefit trust in December 2022 to prefund a portion of the City's retiree healthcare liability.
- City Council approved a plan for spending priorities for funds from the American Rescue Plan Act.
- The City continued to experience private developer investment throughout the City consisting of renovations transforming old City buildings into residential and new commercial uses.
- The City's 2022 general fund operating budget ended with a surplus of \$4,362,362 increasing the City's fund balance to \$25,638,648.
- The City renegotiated its collective bargaining agreement with Lodge No. 2305 of the International Association of Machinists and Aerospace Workers, AFL-CIO effective from September 14, 2022, through December 31, 2024.
- In 2021, The City was awarded \$68.7 million in funding from the American Rescue Plan.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

- Since 2020 the City has been awarded over \$20 million in grant funding for infrastructure, parks, and program improvements.
- The City has developed an online permitting process, streamlining, and making the process user friendly.
- The City has reduced permitting costs by as much as 70% for larger projects to spur economic development.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts:

- Management's discussion and analysis (this section).
- Basic financial statements (including notes).
- Required supplementary information.
- Supplementary information.

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand City government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the City's pension and other postemployment benefit plans and budget-to-actual figures for the General Fund. In addition to these required elements, an optional supplementary section is included with other statements that provide particulars about nonmajor funds.

The basic financial statements present two different views of the City.

- Government-wide financial statements, the first two statements, provide a broad overview of the City's overall financial status, as well as the financial status of the City's component units, in a manner similar to private-sector business.
- Fund financial statements the remaining statements, focus on individual parts of City government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - Governmental fund financial statements show how general government services, such as public safety, were financed in the short term, as well as what remains for future spending.
 - Proprietary fund statements offer short-term and long-term financial information about the activities the City operates like a business.
 - Fiduciary fund statements reflect activities involving resources that are held by the City as a trustee or agent for the benefit of others, including the City's retirement plans. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the City's programs.

Table 1 shows how the various parts of the financial statements are arranged and relate to one another.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Table 1: Financial statements arrangement and relationship flowchart

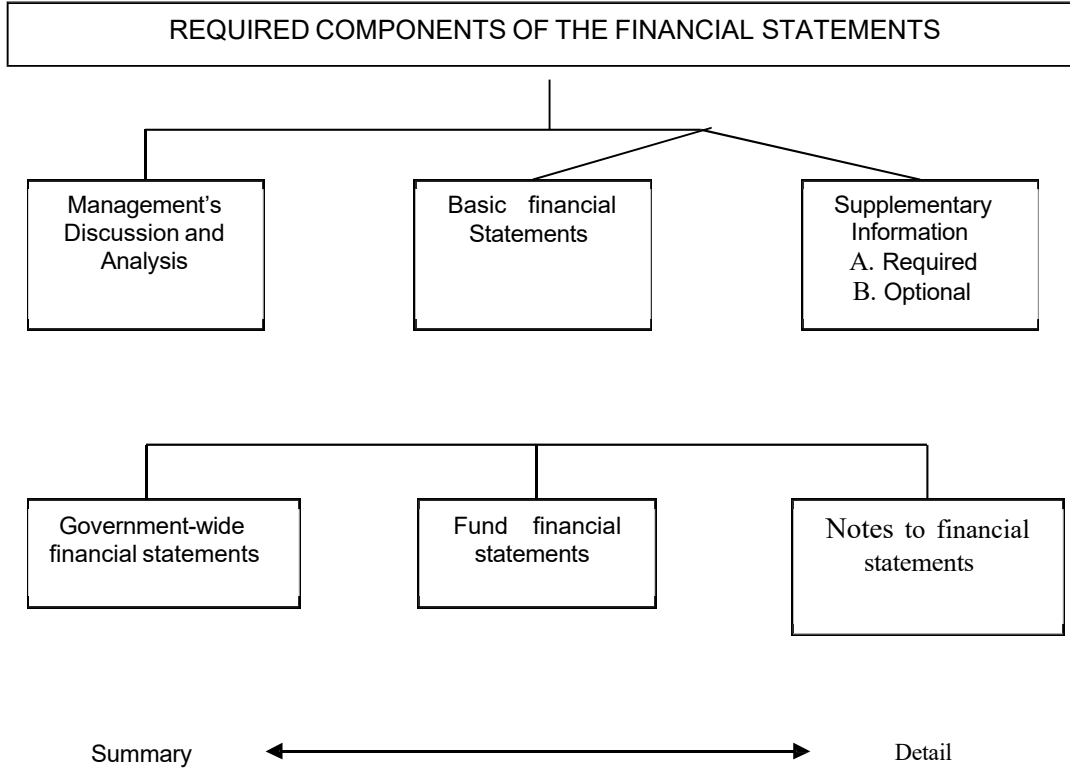


Table 2 summarizes the major features of the City's financial statements, including the area of the City's activities they cover and the types of information they contain.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Table 2: Major Features of the Government-Wide and Fund Financial Statements

	Government-wide statements	Fund financial statements		
		Governmental	Business-Type	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the City, such as public safety and public works	The business-type activities of the City, such as the Sewer Authority Fund	Instances in which the City administers resources on behalf of others, such as the employee pension plans
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The remainder of this overview explains the structure and contents of the government-wide and fund financial statements.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Government-wide financial statements

Government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except fiduciary funds, with the difference reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the City's net position changed during the year.
- Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not related to a particular program), it shows to what extent each program has had to rely on local taxes for funding.
- All changes to the net position are recorded using the accrual method of accounting, which requires that revenues be recorded when they are earned and expenses be recorded when the goods and/or services are received, regardless of when cash is received or paid.
- Net position is one way to measure the City's financial position. Over time, increases or decreases in the City's net position are one indicator of whether the City's financial position is improving or deteriorating. However, other non-financial factors such as changes in the City's real property tax base and general economic conditions must be considered to assess the overall position of the City.
- The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the City can exercise influence and/or be obligated to provide financial support. The City has one discretely presented component unit: the Parking Authority of the City of Scranton. The City has two blended component units: the Sewer Authority of the City of Scranton and the Redevelopment Authority of the City of Scranton.
- There are two categories of activities for the primary government.
- Governmental activities include the City's basic services such as general government, public safety, community development, public works, health and sanitation, and parks and recreation. Property taxes and operating grants and revenues finance most of these activities.
- Business-type activities include activities for which fees are charged to external parties for goods or services to cover the costs for such goods or services. These activities include the Scranton Sewer Authority.

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Capital assets are reported as expenditures when financial resources (monies) are expended to purchase or build assets in the fund financial statements. Likewise, the financial resources that may have been borrowed are considered other financing sources when they are received in the fund financial statements. Principal and interest payments are both considered expenditures when paid in the fund financial statements. Depreciation is not calculated, as it does not provide or reduce current financial resources in the fund financial statements.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Government-wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper program/activities.
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position includes items with constraints placed on their use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation.
 - Unrestricted net position is net position that does not meet any of the above criteria.

Fund financial statements

Fund financial statements provide more detailed information on the City's most significant funds, not the City as a whole. Funds are accounting devices, i.e., a group of related accounts that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Governmental fund financial statements are reported using current financial resources measurement focus and modified accrual accounting established by the Governmental Accounting Standards Board for governments.

The City has three kinds of funds:

- Governmental funds include most of the City's basic services and focus on: (1) the flow in and out of cash and other financial assets that can be readily converted to cash, and (2) the balances left at year-end that are available for spending. The governmental funds that the City maintains the General Fund (Major) and Special Revenue Funds. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in reconciliations that follow the governmental fund financial statements.

The City prepares and adopts an annual budget for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America. The City also prepares and adopts a budget for its ARPA uses. Budgetary comparisons for the General Fund are presented as required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

- Proprietary funds report business-type programs and activities that charge fees designed to cover the cost of providing services. The proprietary funds measurement is the determination of operating income, changes in net position and cash flows. Proprietary funds distinguish operating revenue and expenses from non-operating items.
- Fiduciary funds are funds for which the City is the trustee or fiduciary. These include the:
 - Nonuniform Pension Fund, the Police Pension Fund, the Firemen Pension Fund, the Other Post Employment Benefits Trust. The City is responsible to ensure that the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

Table 3 shows that the City's total assets were \$212,613,264 as of December 31, 2022. Of this amount, \$64,533,052 were capital assets.

Table 3: Summary of Net Position

	Summary of Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current Assets and Other	\$ 148,080,212	\$ 108,033,786	\$ 8,474,246	\$ 9,183,508	\$ 156,554,458	\$ 117,217,294
Capital Assets	64,533,052	74,894,806	-	1,379	64,533,052	74,896,185
Total Assets	<u>212,613,264</u>	<u>182,928,592</u>	<u>8,474,246</u>	<u>9,184,887</u>	<u>221,087,510</u>	<u>192,113,479</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to Pensions	26,827,030	9,868,406	-	-	26,827,030	9,868,406
Related to OPEB	9,083,090	18,521,033	-	-	9,083,090	18,521,033
Total Deferred Outflows of Resources	<u>35,910,120</u>	<u>28,389,439</u>	<u>-</u>	<u>-</u>	<u>35,910,120</u>	<u>28,389,439</u>
LIABILITIES						
Current and Other Liabilities	87,918,540	16,199,172	-	606,638	87,918,540	16,805,810
Long-Term Liabilities	311,470,537	373,312,080	-	-	311,470,537	373,312,080
Total Liabilities	<u>399,389,077</u>	<u>389,511,252</u>	<u>-</u>	<u>606,638</u>	<u>399,389,077</u>	<u>390,117,890</u>
DEFERRED INFLOWS OF RESOURCES						
Related to Pensions	1,590,414	13,563,849	-	-	1,590,414	13,563,849
Related to OPEB	57,198,216	36,886,266	-	-	57,198,216	36,886,266
Related to Leases	313,046	-	-	-	313,046	-
Total Deferred Inflows of Resources	<u>59,101,676</u>	<u>50,450,115</u>	<u>-</u>	<u>-</u>	<u>59,101,676</u>	<u>50,450,115</u>
NET POSITION						
Net Investment in Capital Assets	47,539,456	73,649,684	-	1,379	47,539,456	73,651,063
Restricted	10,895,208	8,202,885	8,244,109	8,859,420	19,139,317	17,062,305
Unrestricted	(268,402,033)	(310,495,905)	(380,055)	(282,550)	(268,782,088)	(310,778,455)
Total Net Position	<u>\$ (209,967,369)</u>	<u>\$ (228,643,336)</u>	<u>\$ 7,864,054</u>	<u>\$ 8,578,249</u>	<u>\$ (202,103,315)</u>	<u>\$ (220,065,087)</u>

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

The following statement of activities in Table 4 represents a summary of changes in net position for the years ended December 31, 2022 and December 31, 2021. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues:						
Charges for Services	\$ 13,447,713	\$ 16,380,390	\$ -	\$ -	\$ 13,447,713	\$ 16,380,390
Operating Grants and Contributions	19,555,524	5,778,614	-	-	19,555,524	5,778,614
Capital Grants and Contributions	3,074,751	2,168,308	-	-	3,074,751	2,168,308
General Revenues:						
Taxes:						
Property Taxes	36,460,605	36,402,829	-	-	36,460,605	36,402,829
Act 511 Taxes	32,351,399	42,713,528	-	-	32,351,399	42,713,528
Other Taxes and Penalties	13,895,208	114,312	-	-	13,895,208	114,312
Cable Television Franchise Revenue	1,038,365	1,043,512	-	-	1,038,365	1,043,512
Payments in Lieu of Taxes	280,003	275,759	-	-	280,003	275,759
Investment Earnings	(327,923)	262,251	968	3,749	(326,955)	266,000
Bad Debt Recovery	-	-	86,479	64,904	86,479	64,904
Miscellaneous	508,383	194,883	1,276	-	509,659	194,883
Disposal of Assets	(53,843)	(213,547)	-	-	(53,843)	(213,547)
Rents and Concessions	18,435	(4,969)	-	-	18,435	(4,969)
Total Revenues	120,248,620	105,115,870	88,723	68,653	120,337,343	105,184,523
EXPENSES						
General Government - Administrative	14,677,852	15,599,972	-	-	14,677,852	15,599,972
Public Safety	46,891,922	35,104,009	-	-	46,891,922	35,104,009
Public Works	23,026,189	18,479,300	-	-	23,026,189	18,479,300
Community Development	10,785,432	5,266,337	-	-	10,785,432	5,266,337
Culture and Recreation	2,200,388	887,757	-	-	2,200,388	887,757
Interest and Fees on Long-Term Debt	3,990,870	4,482,985	-	-	3,990,870	4,482,985
Sewer Authority	-	-	802,918	746,104	802,918	746,104
Total Expenses	101,572,653	79,820,360	802,918	746,104	102,375,571	80,566,464
CHANGE IN NET POSITION	18,675,967	25,295,510	(714,195)	(677,451)	17,961,772	24,618,059
Net Position - Beginning	(228,643,336)	(253,938,846)	8,578,249	9,255,700	(220,065,087)	(244,683,146)
NET POSITION - ENDING	<u>\$ (209,967,369)</u>	<u>\$ (228,643,336)</u>	<u>\$ 7,864,054</u>	<u>\$ 8,578,249</u>	<u>\$ (202,103,315)</u>	<u>\$ (220,065,087)</u>

Table 4: Summary of Changes in Net Position

Total government-wide revenues of \$120,248,620 in 2022 came primarily from Property Taxes and Act 511 Taxes which totaled \$68,812,004, representing 57 % of Total Revenues. Operating Grants and Contributions represented \$19,555,524 or 16% of Total Revenues followed by Other Taxes and Penalties at \$13,895,208 or 12% and Charges for Services at \$13,447,713 or 11%.

Total expenses for all programs in 2022 were \$101,572,653. The expenses cover a range of services, with the largest being Public Safety at \$46,891,922, representing 46% of Total Expenses. The next largest program areas were Public Works at \$23,026,189 or 22% of Total Expenses followed by General Government—Administrative at \$14,677,852 or 16% and Community Development at \$10,785,432 or 11%.

Net cost of services

Net cost of services indicates the amount of support required from taxes and other general revenues for programs of the government. Table 5 depicts the net program expenses for the years ended December 31, 2022 and December 31, 2021.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Table 5: Net Cost of Governmental and Business-Type Activities

PROGRAM	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
General Government - Administrative	\$ 14,677,852	\$ 15,599,972	\$ (9,758,682)	\$ (12,791,537)
Public Safety	46,891,922	35,104,009	(42,632,168)	(33,931,363)
Public Works	23,026,189	18,479,300	(8,374,739)	(3,252,085)
Community Development	10,785,432	5,266,337	1,431,695	(147,321)
Culture and Recreation	2,200,388	887,757	(2,169,901)	(887,757)
Interest and Fees on Long-Term Debt	3,990,870	4,482,985	(3,990,870)	(4,482,985)
Sewer Authority	802,918	746,104	(802,918)	(746,104)
Total Expenses	<u>\$ 102,375,571</u>	<u>\$ 80,566,464</u>	<u>\$ (66,297,583)</u>	<u>\$ (56,239,152)</u>

The City relied on real estate tax, Act 511 taxes, such as earned income tax, real estate transfer tax and payroll preparation tax, and other general revenues to fund 64.8% of its governmental and business-type activities in 2022. These revenues covered 36.4% of public works spending with the remainder coming from grants and fees for specific services. These revenues also covered 90.9% of public safety spending with the remainder coming from grants, fines, and court costs.

Capital assets

The City's investment in capital assets as of December 31, 2022, net of accumulated depreciation, was \$64,533,052. Capital assets consist primarily of land, buildings, equipment and infrastructure. Detailed information about the City's capital assets can be found in Note 5, Notes to Financial Statements. Table 6 is a summary of capital assets as of December 31, 2022 and December 31, 2021.

Table 6: Capital Assets, Net as of December 31, 2022 and 2021

	Total Governmental Activities	
	2022	2021
Land	\$ 3,797,990	\$ 3,797,990
Construction In Progress	2,114,263	1,967,292
Infrastructure	45,119,591	52,818,775
Building	5,445,988	6,225,891
Land and Building Improvements	2,162,880	2,818,245
Vehicles, Equipment and Furniture	5,678,932	7,266,613
Right-to-use Assets	213,408	-
Total	<u>\$ 64,533,052</u>	<u>\$ 74,894,806</u>

Debt administration Long-Term Debt:

As of December 31, 2022, the City had \$72,581,683 of debt outstanding, including bonds, notes, and capital leases. This was a net decrease of \$6.3 million from the end of 2021, due to the City not issuing any new debt in 2022. Detailed information about the City's Long-term Debt can be found in Note 9, Notes to Financial Statements. Table 7 provides a summary of outstanding debt.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Table 7: Summary of Outstanding Debt

	Total Primary Government	
	2022	2021
General Obligation Bonds	\$ 36,025,000	\$ 41,835,000
General Obligation Notes	34,035,000	34,711,000
Notes Payable	711,029	1,040,557
Financed Purchase Agreements	1,599,420	1,245,122
Leases	211,234	-
Total Debt Obligations	<u>\$ 72,581,683</u>	<u>\$ 78,831,679</u>

The amount of indebtedness a municipality may incur is limited by Pennsylvania law to 250 percent (nonelectoral) of a three-year average of the total revenue received, exclusive of governmental grants for a specific purpose. The City's debt limit, based on the Local Government Unit Debt Act, was \$235,328,597, which is 250% of its borrowing base of \$94,131,439. The total debt outstanding was \$72,581,683, which leaves the City with a \$162,746,914 in debt capacity.

Bond rating

As of December 31, 2022, the City was rated BB+ with a positive outlook by S&P Global Ratings. The City is hopeful that the positive change in General Fund balance during 2022 will raise the City's bond rating in the near future.

GOVERNMENTAL FUNDS

The City of Scranton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year. Governmental fund accounting was not affected by the adoption of GASB No. 34. Therefore, schedules are presented to reconcile the fund statements to the government-wide statements.

The City's governmental funds include the General Fund and Special Revenue Funds. The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except those legally or administratively required to be accounted for in another fund. Special Revenue Funds are utilized to account for specific revenue sources used to finance specific activities as required by law or administrative regulation. The following funds included in the government-wide and fund financial statements are accounted for as Special Revenue Funds: special cities, liquid fuels, ARPA, Office of Economic and Community Development and the Scranton Redevelopment Authority. The OECD, Special Cities and ARPA funds are classified as major funds. The remaining Special Revenue Funds are classified as non-major funds.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Governmental Fund Revenues

Governmental fund revenues by source for the years ended December 31, 2022 and December 31, 2021 are as follows below. Table 8 also presents changes from 2021 to 2022.

Table 8: Governmental Fund Revenues by Source

	2022	2021	Changes from 2021 to 2022	Percent change
REVENUES				
Taxes	\$ 82,364,813	\$ 81,564,165	\$ 800,648	1.0%
Refuse Disposal Fee	8,482,860	9,528,740	(1,045,880)	-11.0%
Intergovernmental Revenue	22,630,275	7,946,922	14,683,353	184.8%
Licenses and Permits	3,298,167	2,721,315	576,852	21.2%
Cable Television Franchise Revenue	1,038,365	1,043,512	(5,147)	-0.5%
Department Earnings	1,162,815	1,013,886	148,929	14.7%
Program Income	380,871	498,733	(117,862)	-23.6%
Payments in Lieu of Taxes	280,003	275,759	4,244	1.5%
Other Revenues	508,383	194,883	313,500	160.9%
Investment Income	(327,923)	129,956	(457,879)	-352.3%
Rents and Concessions	18,435	6,435	12,000	186.5%
Total Revenues	<u>\$ 119,837,064</u>	<u>\$ 104,924,306</u>	<u>\$ 14,912,758</u>	<u>14.2%</u>

Governmental fund revenues totaled \$119,837,064 for the year ended December 31, 2022. This is an increase of \$14,912,758 from 2021, primarily due to an increase in Intergovernmental Revenue.

Governmental fund expenditures

Governmental fund expenditures by function for the years ended December 31, 2022 and 2021 are as follows. Table 9 also presents changes from 2021 to 2022.

	2022	2021	Changes from 2021 to 2022	Percent change
EXPENDITURES				
General Government	\$ 16,674,397	\$ 15,356,009	\$ 1,318,388	8.6%
Public Safety	54,804,901	48,800,323	6,004,578	12.3%
Public works	17,425,231	13,216,799	4,208,432	31.8%
Community Development	11,837,137	5,254,376	6,582,761	125.3%
Culture and Recreation	1,883,534	621,741	1,261,793	202.9%
Debt Service	11,479,639	32,101,388	(20,621,749)	-64.2%
Capital Outlay	1,381,102	1,662,301	(281,199)	-16.9%
Total Expenditures	<u>\$ 115,485,941</u>	<u>\$ 117,012,937</u>	<u>\$ (1,526,996)</u>	<u>-1.3%</u>

Governmental fund expenditures totaled \$115,485,941 for the year ended December 31, 2022, a decrease of 1.3% from 2021, primarily due to a decrease in Debt Service offset by increases in the other functions.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Governmental fund balances and net position of enterprise funds

Table 10 reflects ending fund balances for governmental funds and the net position for the enterprise funds at December 31, 2022 and 2021

Table 10: Ending Fund Balances, Governmental Funds, and Net Position, Enterprise Funds

FUND	2022		2021	
	Governmental Funds	Enterprise Funds	Governmental Funds	Enterprise Funds
General Fund	\$ 25,638,648	\$ -	\$ 22,120,220	\$ -
OECD Fund	2,389,935	-	2,431,544	-
Special Cities Fund	3,893,586	-	3,647,214	-
American Rescue Plan Act Fund	(507,817)	-	(436)	-
Non-Major Funds	2,500,174	-	1,060,352	-
Internal Service Fund	7,208,704	-	6,818,460	-
Sewer Authority	-	7,864,054	-	8,578,249
Total Fund Balance/Net Position	<u>\$ 41,123,230</u>	<u>\$ 7,864,054</u>	<u>\$ 36,077,354</u>	<u>\$ 8,578,249</u>

The City's governmental funds reported a combined fund balance of \$41,123,230 as of December 31, 2022, up \$5,045,876 from December 31, 2021. The General Fund balance increased by \$3,518,428, due to better than anticipated revenues, and an ability to operate effectively with less expenditures than budgeted.

Budgets

The City's Home Rule Charter requires the Mayor to submit to Council a budget for the subsequent fiscal year no later than November 15 of the current fiscal year. The City prepares its budgets based on the prior year's actuals and an estimated current year outcome. This allows the City to better forecast the City's position going into the subsequent year, however, because the City's fiscal year differs from those of the Commonwealth and the federal government, it can be difficult to know what grant funds will be forthcoming in the City's fiscal year.

The Home Rule Charter also requires the Mayor to submit to Council a capital budget for the subsequent fiscal year at least 3 months prior to the final date for the submission of the budget.

The City's Home Rule Charter and the City's Administrative Code provides direction for supplemental, emergency and transfer appropriations.

- Supplemental appropriations shall be considered by Council as an ordinance amending the annual budget.
- The Business Administrator may authorize the transfer of any unexpended balance of any appropriation item within a department, but if the transfer is between departments, then the Business Administrator shall make such transfer with the approval of Council.
- The Business Administrator may authorize the transfer of any unexpended balance of any appropriation item within a department or between department only with Council approval to:
 1. Fund a job classification or position of employment that is not identified in the annual budget for the current fiscal year; or
 2. Increase the salary of a job classification from the salary appropriated in the annual budget for the current fiscal year.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

**ECONOMIC CONDITION AND OUTLOOK
LOCATION & DEMOGRAPHIC**

The City of Scranton is located in northeastern Pennsylvania. The City was incorporated as a city on April 23, 1866. The City is governed by a home rule charter adopted by the voters of the City in a referendum on May 21, 1974. The Home Rule Charter of the City of Scranton became effective on January 5, 1976. Under the Home Rule Charter, the Mayor and Council, jointly, are the governing body of the City. The governing powers are divided between the executive and legislative branches.

The City is the largest municipality in northeastern Pennsylvania and is the county seat for Lackawanna County. The City's population in 2022 was 76,328. The City bestrides the I-81, I-84 and I-80 corridor—two hours from New York City and Philadelphia and within an overnight delivery area reaching about 96 million American and Canadian consumers. The nearby Wilkes-Barre Scranton International Airport offers daily direct service to major U.S. cities including Atlanta, Charlotte, Chicago, Detroit, Newark, Orlando, and Philadelphia.

Calendar year 2022 ushered in a new era for Scranton as the city formally exited the Commonwealth's Act 47 municipal financial distress program. Scranton was officially designated a financially distressed community on January 10, 1992. On January 25, 2022, the PA Department of Community and Economic Development Secretary signed a determination letter articulating findings that termination of the city's distressed status was appropriate pursuant to the provisions of Act 47. Scranton's exit from the Act 47 program is a testament to the city's leadership and the deliberate actions taken in recent years to improve Scranton's economic outlook.

Scranton's economy is evolving, as the city's population and mix of industries shift to match the realities of a more globalized economy. Over the past decade, the populations of Scranton's Asian, Black/African-American, and other non-white communities have grown, some more than doubling in size. They now comprise a larger share of the city's total population than they did in 2010.

A majority of Scranton residents, (64.6%) work within 10 miles of their home, and the remaining 35% of residents both live and work within the city. Industries contributing to overall City GDP include healthcare; logistics, warehousing, transportation; advanced manufacturing, construction/trades and back-office support. Additionally, Scranton is home to a vibrant downtown business district and several institutions of higher education — including the University of Scranton, Marywood University, Geisinger Commonwealth School of Medicine, Lackawanna College, and Johnson College. Rounding out the proverbial “eds and meds” known to anchor Scranton's economy, the City has 3 hospitals located within its boundaries: Geisinger Community Medical Center, Commonwealth Health Regional Hospital of Scranton and Commonwealth Health Moses Taylor Hospital.

The City provides its residents and businesses with 24-hour/365 day professional public safety protection through its full-time police and fire departments. It also provides full-time public works and code enforcement services to its residents. Unfortunately, these services come at a heavy tax burden compared to residents of neighboring municipalities.

**CITY OF SCRANTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

The licensing and permitting process has historically been a challenge for City businesses, entrepreneurs and residents. The City has begun improving its licensing and permitting process by bringing it on-line, making it faster, easier, and more accessible for community members who are submitting applications at the same time simplifying processing for City staff. Reducing the administrative burden of the licensing and permitting process in the City will make it easier for community members to conduct business in Scranton.

The city has been awarded \$68.7 million dollars in American Rescue Plan funding for recovery efforts from the pandemic. To spur economic development and to assist businesses to recover and retain employees the city has invested \$4.7 million dollars in the small business community. A significant portion of this funding has been invested in business start-ups, with 54 new businesses starting in Scranton in 2022. To improve stormwater management, the city is investing \$17 million dollars in stormwater infrastructure improvements and repairs. This investment will assist the city in complying with federal MS4 requirement.

As the city awaits news regarding the potential for an Amtrak station downtown, significant investment is planned for streetscapes and corridor improvements. The city will be investing \$11 million dollars in ARPA funds and has secured over \$5 million in state grants to improve walkability and pedestrian safety.

SUMMARY

The City exited 2022 in a better financial position than 2021. City tax rates remained constant. The City implemented a new payroll preparation tax to replace the repealed business privilege tax and mercantile tax. The City administration contained expenditures in 2022, while the City experienced revenue growth in its earned income tax and real estate transfer tax. The City began 2022 with an unprecedented amount of cash reserved in its General Fund. The City is looking towards a stable fiscal year in 2023 with aspirations of improving its bond rating to investment grade.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information and complete financial statements for the discretely presented component units should be addressed to the Business Administrator, City of Scranton, 340 North Washington Avenue, Scranton, Pennsylvania 18503.

**CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Primary Government		Total
	Governmental Activities	Business-Type Activity (March 31, 2022)	
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 36,140,309	\$ 159,044	\$ 36,299,353
Investments	75,880,955	-	75,880,955
Receivables:			
Taxes Receivable, Net	16,797,703	-	16,797,703
Garbage Fees Receivable, Net	6,348,362	-	6,348,362
Accounts Receivable, Net	4,525,778	58,514	4,584,292
Loans Receivable	613,884	-	613,884
Property Held for Resale	96,769	-	96,769
Notes Receivable	925,000	-	925,000
Other Assets	23,327	12,579	35,906
Leases Receivable	359,628	-	359,628
Restricted Cash and Cash Equivalents	6,368,497	8,244,109	14,612,606
Total Current Assets	148,080,212	8,474,246	156,554,458
CAPITAL ASSETS, NET	64,533,052	-	64,533,052
Total Assets	212,613,264	8,474,246	221,087,510
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	26,827,030	-	26,827,030
Deferred Outflows Related to Other			
Postemployment Benefit Obligations	9,083,090	-	9,083,090
Total Deferred Outflows of Resources	35,910,120	-	35,910,120
 Total Assets and Deferred Outflows of Resources	\$ 248,523,384	\$ 8,474,246	\$ 256,997,630

See accompanying Notes to Basic Financial Statements.

CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	Primary Government		
	Governmental Activities	Business-Type Activity (March 31, 2022)	Total
CURRENT LIABILITIES			
Accounts Payable	\$ 7,461,649	\$ 443,480	\$ 7,905,129
Credits Outstanding	-	157,140	157,140
Lien Payment Refunds	-	9,572	9,572
Other Liabilities	1,602,013	-	1,602,013
Funds in Escrow	3,454,251	-	3,454,251
Unearned Revenue	66,698,267	-	66,698,267
Current Portion of Long-Term Debt:			
Long-Term Debt Obligations	7,146,258	-	7,146,258
Financed Purchased Contracts	605,079	-	605,079
Leases	54,651	-	54,651
Accrued Interest	615,470	-	615,470
Accrued Claims and Judgments	280,902	-	280,902
Total Current Liabilities	87,918,540	610,192	88,528,732
LONG-TERM OBLIGATIONS, NET OF CURRENT PORTION			
Long-Term Debt Obligations	63,624,771	-	63,624,771
Financed Purchase Contracts	994,341	-	994,341
Leases	156,583	-	156,583
Workers' Compensation Claims	13,504,714	-	13,504,714
Net Other Postemployment Benefit Obligations	157,157,517	-	157,157,517
Net Pension Liability	71,834,057	-	71,834,057
Compensated Absences	4,198,554	-	4,198,554
Total Long-Term Obligations, Net of Current Portion	311,470,537	-	311,470,537
Total Liabilities	399,389,077	610,192	399,999,269
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	1,590,414	-	1,590,414
Deferred Inflows Related to Other Postemployment Benefit Obligations	57,198,216	-	57,198,216
Deferred Inflows Related to Leases	313,046	-	313,046
Total Deferred Inflows of Resources	59,101,676	-	59,101,676
NET POSITION			
Net Investment in Capital Assets	47,539,456	-	47,539,456
Restricted for Escrow Agreements	-	8,244,109	8,244,109
Restricted for Externally Imposed Restrictions	10,895,208	-	10,895,208
Unrestricted	(268,402,033)	(380,055)	(268,782,088)
Total Net Position	(209,967,369)	7,864,054	(202,103,315)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 248,523,384	\$ 8,474,246	\$ 256,997,630

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

FUNCTIONS/PROGRAMS	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities (Year Ended March 31, 2022)	Total
Primary Government:							
Governmental Activities:							
General Government - Administrative	14,677,852	\$ 3,298,167	\$ 1,621,003	\$ -	\$ (9,758,682)	\$ -	\$ (9,758,682)
Public Safety	46,891,922	868,268	3,391,486	-	(42,632,168)	-	(42,632,168)
Public Works	23,026,189	9,083,745	2,492,954	3,074,751	(8,374,739)	-	(8,374,739)
Community Development	10,785,432	197,533	12,019,594	-	1,431,695	-	1,431,695
Culture and Recreation	2,200,388	-	30,487	-	(2,169,901)	-	(2,169,901)
Interest and Fees on Long-Term Debt	3,990,870	-	-	-	(3,990,870)	-	(3,990,870)
Total Governmental Activities	101,572,653	13,447,713	19,555,524	3,074,751	(65,494,665)	-	(65,494,665)
Business-Type Activity (Year Ended March 31, 2022)	802,918	-	-	-	-	(802,918)	(802,918)
Total Primary Government	<u>\$ 102,375,571</u>	<u>\$ 13,447,713</u>	<u>\$ 19,555,524</u>	<u>\$ 3,074,751</u>	(65,494,665)	(802,918)	(66,297,583)
GENERAL REVENUES							
Taxes:							
Property Taxes					36,460,605	-	36,460,605
Act 511 Taxes					32,351,399	-	32,351,399
Other Taxes and Penalties					13,895,208	-	13,895,208
Cable Television Franchise Revenue					1,038,365	-	1,038,365
Payments in Lieu of Taxes					280,003	-	280,003
Investment Earnings					(327,923)	968	(326,955)
Bad Debt Recovery					-	86,479	86,479
Miscellaneous					508,383	1,276	509,659
Disposal of Assets					(53,843)	-	(53,843)
Rents and Concessions					18,435	-	18,435
Total General Revenues					<u>84,170,632</u>	<u>88,723</u>	<u>84,259,355</u>
CHANGE IN NET POSITION					18,675,967	(714,195)	17,961,772
Net Position - Beginning of Year					(228,643,336)	8,578,249	(220,065,087)
NET POSITION - END OF YEAR					<u>\$ (209,967,369)</u>	<u>\$ 7,864,054</u>	<u>\$ (202,103,315)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	<u>General Fund</u>	<u>Office of Economic and Community Development Fund</u>	<u>Special Cities Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 23,015,501	\$ -	\$ 3,192,432
Investments	-	-	-
Taxes Receivable, Net	16,797,703	-	-
Garbage Fees Receivable, Net	6,348,362	-	-
Accounts Receivable	745,399	229,109	784,680
Loans Receivable, Net	-	613,884	-
Restricted Cash and Cash Equivalents	578,993	1,831,180	3,958,324
Property Held for Resale	-	-	-
Notes Receivable, Net	-	-	-
Due from Other Funds	625,327	561,487	904,133
Leases Receivable	359,628	-	-
Other Assets	5,231	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 48,476,144</u>	<u>\$ 3,235,660</u>	<u>\$ 8,839,569</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 7,200,795	\$ 3,152	\$ 138,322
Funds in Escrow	-	-	3,454,251
Other Liabilities	1,421,480	180,533	-
Unearned Revenue	-	613,384	788,155
Due to Other Funds	904,133	48,656	565,255
Total Liabilities	<u>9,526,408</u>	<u>845,725</u>	<u>4,945,983</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	12,998,042	-	-
Leases	313,046	-	-
Total Deferred Inflows of Resources	<u>13,311,088</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	578,993	2,389,935	3,893,586
Assigned	-	-	-
Unassigned	25,059,655	-	-
Total Fund Balances	<u>25,638,648</u>	<u>2,389,935</u>	<u>3,893,586</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 48,476,144</u>	<u>\$ 3,235,660</u>	<u>\$ 8,839,569</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	American Rescue Plan Act Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,662,821	\$ 2,948,446	\$ 31,819,200
Investments	62,005,039	-	62,005,039
Taxes Receivable, Net	-	-	16,797,703
Garbage Fees Receivable, Net	-	-	6,348,362
Accounts Receivable	132,467	-	1,891,655
Loans Receivable, Net	-	-	613,884
Restricted Cash and Cash Equivalents	-	-	6,368,497
Property Held for Resale	-	96,769	96,769
Notes Receivable, Net	-	925,000	925,000
Due from Other Funds	-	-	2,090,947
Leases Receivable	-	-	359,628
Other Assets	-	18,096	23,327
	\$ 64,800,327	\$ 3,988,311	\$ 129,340,011
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ 1,650	\$ 7,343,919
Funds in Escrow	-	-	3,454,251
Other Liabilities	-	-	1,602,013
Unearned Revenue	65,296,728	-	66,698,267
Due to Other Funds	11,416	561,487	2,090,947
Total Liabilities	65,308,144	563,137	81,189,397
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	925,000	13,923,042
Leases	-	-	313,046
Total Deferred Inflows of Resources	-	925,000	14,236,088
FUND BALANCES			
Nonspendable	-	96,769	96,769
Restricted	-	2,901,657	9,764,171
Assigned	-	-	-
Unassigned	(507,817)	(498,252)	24,053,586
Total Fund Balances	(507,817)	2,500,174	33,914,526
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 64,800,327	\$ 3,988,311	\$ 129,340,011

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
RECONCILIATION OF BALANCE SHEET –
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Fund Balances - Total Governmental Funds	\$ 33,914,526
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the fund financial statements:	
Capital Assets	199,124,986
Accumulated Depreciation	(134,591,934)
Property taxes and refuse fees receivable will be collected but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the General Fund.	
	12,998,042
Loans made by Scranton Redevelopment Authority to qualified projects will be repaid in future years but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the Nonmajor Fund.	
	925,000
The Internal Service Fund is used by management to charge the cost of workers' compensation insurance to various departments. The net position of the Internal Service Fund is reported with governmental activities.	
	7,208,704
The City's net pension liability, deferred outflows of resources, and deferred inflows of resources related to the City's pension plans are not reported in the governmental funds but are reported in the statement of net position:	
Net Pension Liability	(71,834,057)
Deferred Outflows of Resources	26,827,030
Deferred Inflows of Resources	(1,590,414)
The City's net other postemployment benefits liability, deferred outflows of resources, and deferred inflows of resources related to the City's other postemployment benefit plans are not reported in the governmental funds but are reported in the statement of net position:	
Net Other Postemployment Benefits Liability	(157,157,517)
Deferred Outflows of Resources	9,083,090
Deferred Inflows of Resources	(57,198,216)
Long-term obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term obligations at year-end consist of the following:	
General Obligation Bonds Payable	(36,025,000)
General Obligation Notes Payable	(34,035,000)
Governmental Notes Payable	(711,029)
Capitalized Lease Payable	(1,599,420)
Leases	(211,234)
Accrued Interest Payable	(615,470)
Compensated Absences	(4,198,554)
Accrued Claims and Judgments	(280,902)
Net Position of Governmental Activities	<u>\$ (209,967,369)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	General Fund	Office of Economic and Community Development Fund	Special Cities Fund
REVENUES			
Taxes	82,364,813	\$ -	\$ -
Refuse Disposal Fee	8,482,860	-	-
Intergovernmental Revenue	5,040,513	10,441,817	643,557
Licenses and Permits	3,298,167	-	-
Cable Television Franchise Revenue	1,038,365	-	-
Department Earnings	215,300	197,533	749,982
Program Income	380,871	-	-
Payments in Lieu of Taxes	280,003	-	-
Other Revenues	214,711	2,314	291,346
Investment Income (Loss)	102,238	11,589	18,090
Rents and Concessions	14,500	-	-
Total Revenues	101,432,341	10,653,253	1,702,975
EXPENDITURES			
Current:			
General Government	16,107,562	-	82,912
Public Safety	54,175,902	-	628,999
Public works	15,319,247	-	261,127
Community Development	-	10,694,862	-
Culture and Recreation	812,750	-	116,976
Debt Service:			
Principal	7,357,512	-	-
Interest/Fees	4,122,127	-	-
Capital Outlay	299,513	-	1,081,589
Total Expenditures	98,194,613	10,694,862	2,171,603
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,237,728	(41,609)	(468,628)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	691,191	-	-
Operating Transfers Out	-	-	-
Proceeds from Financed Purchase Agreements	132,746	-	715,000
Proceeds from Leases	166,767	-	-
Court Awards	(680,553)	-	-
Proceeds from Tax Anticipation Note	10,000,000	-	-
Payments on Tax Anticipation Note	(10,029,451)	-	-
Total Other Financing Sources (Uses)	280,700	-	715,000
CHANGE IN FUND BALANCE	3,518,428	(41,609)	246,372
Fund Balance - Beginning of Year	22,120,220	2,431,544	3,647,214
FUND BALANCE - END OF YEAR	\$ 25,638,648	\$ 2,389,935	\$ 3,893,586

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	American Rescue Plan Act Fund	Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ -	\$ -	\$ 82,364,813
Refuse Disposal Fee	-	-	8,482,860
Intergovernmental Revenue	3,429,637	3,074,751	22,630,275
Licenses and Permits	-	-	3,298,167
Cable Television Franchise Revenue	-	-	1,038,365
Department Earnings	-	-	1,162,815
Program Income	-	-	380,871
Payments in Lieu of Taxes	-	-	280,003
Other Revenues	-	12	508,383
Investment Income (Loss)	(465,963)	6,123	(327,923)
Rents and Concessions	-	3,935	18,435
Total Revenues	<u>2,963,674</u>	<u>3,084,821</u>	<u>119,837,064</u>
EXPENDITURES			
Current:			
General Government	483,923	-	16,674,397
Public Safety	-	-	54,804,901
Public works	1,844,857	-	17,425,231
Community Development	1,142,275	-	11,837,137
Culture and Recreation	-	953,808	1,883,534
Debt Service:			
Principal	-	-	7,357,512
Interest/Fees	-	-	4,122,127
Capital Outlay	-	-	1,381,102
Total Expenditures	<u>3,471,055</u>	<u>953,808</u>	<u>115,485,941</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(507,381)	2,131,013	4,351,123
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	-	691,191
Operating Transfers Out	-	(691,191)	(691,191)
Proceeds from Financed Purchase Agreements	-	-	847,746
Proceeds from Leases	-	-	166,767
Court Awards	-	-	(680,553)
Proceeds from Tax Anticipation Note	-	-	10,000,000
Payments on Tax Anticipation Note	-	-	(10,029,451)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(691,191)</u>	<u>304,509</u>
CHANGE IN FUND BALANCE	(507,381)	1,439,822	4,655,632
Fund Balance - Beginning of Year	<u>(436)</u>	<u>1,060,352</u>	<u>29,258,894</u>
FUND BALANCE - END OF YEAR	<u>\$ (507,817)</u>	<u>\$ 2,500,174</u>	<u>\$ 33,914,526</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Governmental Funds \$ 4,655,632

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense:

Capital Outlays	1,229,088
Depreciation	(11,630,002)

Disposals of capital assets are not reported in governmental funds but are reported as a loss on disposal in the statement of activities.	(53,843)
---	----------

Proceeds from long-term and short-term debt and financed purchase contracts are considered a current financial resource and are reported in the statement of changes in fund balances but not in the statement of activities.	(1,014,513)
---	-------------

Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The effect of these transactions in the statement of activities is shown below:

Repayment of General Obligation Bonds	5,810,000
Repayment of Notes Payable	1,005,528
Repayment of Financed Purchase Contracts	493,448
Leases	48,536
Accrued Interest	(199,274)

In the statement of revenues, expenditures, and changes in fund balance, nonexchange revenue is only recognized when measurable and available. Therefore, any nonexchange balances collected past 60 days of the balance sheet date are not recognized as revenue until the period collected. This amount is the net change in revenue accrued between the prior and the current year.	567,699
--	---------

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These items consist of:

Change in Compensated Absences	481,033
Change in Net Other Postemployment Obligation and Related Deferrals	8,530,486
Change in the Net Pension Liability and Related Deferrals	8,152,807
Accrued Claims and Judgments	209,098

The Internal Service Fund is used by management to charge the cost of workers' workers' compensation insurance to various departments. The net revenue of the Internal Service Fund is reported with governmental activities.	390,244
---	---------

Change in Net Position of Governmental Activities	\$ 18,675,967
---	---------------

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022**

	Business-Type Activity <u>Enterprise Fund</u>	Governmental Activity <u>Internal</u>
	Sewer Authority (March 31, 2022)	Service Fund
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 159,044	\$ 4,321,109
Investments	-	13,875,916
Accounts Receivable, Net	58,514	2,634,123
Other Assets	12,579	-
Escrow Deposits, Restricted	8,244,109	-
Total Current Assets	8,474,246	20,831,148
CAPITAL ASSETS, NET		
	-	-
Total Assets	8,474,246	20,831,148
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts Payable/Accrued Expenses	443,480	117,730
Lien Payment Refunds	9,572	-
Credits Outstanding	157,140	-
Total Current Liabilities	610,192	117,730
Noncurrent Liabilities:		
Workers' Compensation Claims Payable	-	13,504,714
Total Liabilities	610,192	13,622,444
NET POSITION		
Net Investment in Capital Assets	-	-
Restricted for Escrow Agreements	8,244,109	-
Restricted for Workers' Compensation Claims	-	7,208,704
Unrestricted	(380,055)	-
Total Net Position	7,864,054	7,208,704
Total Liabilities and Net Position	\$ 8,474,246	\$ 20,831,148

See accompanying Notes to Basic Financial Statements.

CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Business-Type Activity <u>Enterprise Fund</u> Sewer Authority (March 31, 2022)	Governmental Activity <u>Internal Service Fund</u>
REVENUES		
Charges for Services	\$ -	2,604,415
Bad Debt Recovery	86,479	-
Total Revenues	<u>86,479</u>	<u>2,604,415</u>
EXPENSES		
Workers' Compensation Claims	-	457,966
Administrative and General	802,918	195,885
Total Expenses	<u>802,918</u>	<u>653,851</u>
INCOME (LOSS) FROM OPERATIONS	(716,439)	1,950,564
NONOPERATING REVENUES		
Investment Income	-	(1,898,068)
Interest and Dividends	968	337,748
Miscellaneous	1,276	-
Total Nonoperating Revenues	<u>2,244</u>	<u>(1,560,320)</u>
CHANGE IN NET POSITION	(714,195)	390,244
Net Position - Beginning of Year	<u>8,578,249</u>	<u>6,818,460</u>
NET POSITION - END OF YEAR	<u><u>\$ 7,864,054</u></u>	<u><u>\$ 7,208,704</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Business-Type Activity <u>Enterprise Fund</u>	Governmental Activity <u>Internal</u>
	Sewer Authority (March 31, 2022)	Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 86,479	\$ -
Cash Received from Interfund Services Provided	-	-
Cash Paid to Employees for Services	(19,532)	-
Cash Paid for Legal Fees and Easements	(35,408)	-
Cash Paid for Operating Expenses	(129,912)	(2,492,819)
Net Cash Used by Operating Activities	(98,373)	(2,492,819)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	-	3,322,015
Proceeds from Sales of Investments	-	(1,129,041)
Interest and Dividends Received	968	337,748
Net Cash Provided by Investing Activities	968	2,530,722
NET CHANGE IN CASH AND CASH EQUIVALENTS	(97,405)	37,903
Cash and Cash Equivalents - Beginning of Year	256,449	4,283,206
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 159,044	\$ 4,321,109
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) from Operations	\$ (716,439)	\$ 1,950,564
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Used by Operating Activities:		
Depreciation	1,379	-
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(1,787)	(2,607,275)
Prepaid Insurance	5,241	-
Escrow Deposits	615,311	-
Increase (Decrease) in Operating Liabilities:		
Accrued Expenses	(5,418)	(173,773)
Accrued Payroll	2,827	-
Lien Payment Refunds	513	-
Workers' Compensation Claim Payables	-	(1,662,335)
Net Cash Used by Operating Activities	\$ (98,373)	\$ (2,492,819)

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022**

	<u>Pension Trust Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 14,579,107
Investments	103,307,808
Accounts Receivable	<u>52,505</u>
Total Assets	<u><u>\$ 117,939,420</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts Payable	\$ 35,535
NET POSITION	
Held in Trust for Pension Benefits	<u>117,903,885</u>
Total Liabilities and Net Position	<u><u>\$ 117,939,420</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2022**

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer Contributions (including Commonwealth aid)	\$ 14,829,173
Contributions by Members	1,360,450
Total Contributions	16,189,623
Investment Income:	
Net Depreciation in Fair Value of Investments	(22,623,727)
Net Realized Loss on Sale of Investments	(2,176,158)
Interest and Dividends, Net of Fees	3,522,241
Total Investment Income	(21,277,644)
Total Additions	(5,088,021)
DEDUCTIONS	
Retirement Benefits Paid	13,516,365
Administrative Expenses	337,435
Total Deductions	13,853,800
CHANGE IN NET POSITION	(18,941,821)
Net Position - Beginning of Year	136,845,706
NET POSITION - END OF YEAR	\$ 117,903,885

See accompanying Notes to Basic Financial Statements.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the City of Scranton, Pennsylvania (the City).

Reporting Entity

The City was incorporated in 1866 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania. The City is a class 2A city, governed under a Home Rule Charter as defined by the state statutes. The City operates under a Council – Mayor form of government and provides the following services as authorized by its charter: public safety, roads, sanitation, health, culture – recreation, and general administrative services.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GMP for state and local governments through its pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this note.

The City has evaluated its relationship with the following organizations to determine if these organizations should be included in the annual government-wide and fund financial statements of the City:

- Sewer Authority of the City of Scranton, Pennsylvania,
- Parking Authority of the City of Scranton, Pennsylvania,
- Scranton Municipal Recreation Authority,
- Redevelopment Authority of the City of Scranton,
- Scranton Housing Authority,
- Scranton School District,
- Scranton Lackawanna Health and Welfare Authority,
- Scranton Public Library, and
- Single Tax Office

The City determined through it's evaluation that the Scranton Municipal Recreation Authority, Scranton Housing Authority, Scranton School District, Scranton Lackawanna Health and Welfare Authority, Scranton Public Library and Single Tax Office are excluded from the financial reporting entity.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Component Unit

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. A component unit may then be reported in one or two following manners:

Discrete Presentation

Financial data for the component unit is presented in a column separate from that of the City's financial data.

Blended Presentation

Financial data for the component unit is presented in the same manner as that of the City's financial data and is reported as part of the City's financial operations.

Joint Venture

A legal entity or other organization resulting from a contractual arrangement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. There are no such entities included in the City's reporting entity.

Related Organization

An organization for which the City is not financially accountable even though the City appoints a voting majority of the organization's governing board.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

As a result of applying these criteria, the following organizations have been categorized and determined to be and are presented as component units for the year ended December 31, 2022:

Sewer Authority of the City of Scranton, Pennsylvania

On December 29, 2016, the Sewer Authority of the City of Scranton, Pennsylvania, (the Sewer Authority) sold substantially all of the Sewer Authority's assets to the Pennsylvania American Water Company. The proceeds from the sale were used to repay all of the Sewer Authority's outstanding notes with Pennsylvania Infrastructure Investment Authority, which the City had guaranteed. The City appoints all the Sewer Authority members. The Sewer Authority continues to operate on a limited basis, collecting outstanding receivables, which it retained, in satisfaction of liens on properties. The Sewer Authority reports its financial position and its operating activities on a fiscal year of April 1 to March 31. The Sewer Authority is a blended component unit.

The Parking Authority of the City of Scranton, Pennsylvania

The Parking Authority of the City of Scranton, Pennsylvania, (the Parking Authority) oversees the operation of all public parking facilities in the City of Scranton. Parking facilities include both on-street and off-street facilities. The mayor of the City of Scranton appoints all Parking Authority members. Effective August 30, 2016, the Parking Authority and the City of Scranton completed an asset monetization through a 45-year concession lease which monetized the parking assets while continuing to maintain oversight and ownership of the assets. The City of Scranton owns the on-street parking assets (meters) while the Parking Authority owns the off- street assets (garages). The City of Scranton and Parking Authority negotiated the comprehensive economic transaction with the National Development Council (NDC) through its public private partnership affiliate the Housing and Economic Development Corporation (HEDC). NDC has hired ABM Parking to manage the on-street and off- street parking facilities. The assets will be returned to the City of Scranton and Parking Authority of the City of Scranton upon the maturity of the concession lease, or when the debt assumed by HEDC is retired. An audit of the Parking Authority was not completed for the year ended December 31, 2022, and no financial statements have been prepared or included in the City's financial statements for the year ended December 31, 2022. The Parking Authority should be included as a discretely presented component unit.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Redevelopment Authority of the City of Scranton

The Redevelopment Authority of the City of Scranton (the SRA) operates for the purpose of promoting the elimination of blighted areas by acquisition, sound planning, and redevelopment of such areas for the promotion of health, safety, convenience, and welfare of the general public, through contracts with private redevelopers and public authorities for redevelopment. The City appoints all SRA members and is named guarantor on certain SRA conduit indebtedness. In addition, the City has provided the SRA with a portion of its Community Development Block Grant funding. The SRA is a blended component unit.

Requests for additional financial information and complete financial statements for the above-mentioned entities should be addressed to the Business Administrator, City of Scranton, 340 North Washington Avenue, Scranton, Pennsylvania 18503.

Government-Wide Financial Statements

The City's government-wide financial statements include a statement of net position and a statement of activities. These statements present information about the reporting government as a whole. They include all funds of the reporting government except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The primary government is reported separately from legally separate component units.

All of the City's assets and liabilities, including capital assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities 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. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among other program revenues are reported as general revenues.

Governmental Fund Financial Statements

Financial statements of the reporting government are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, deferred inflows of resources, net assets/fund equity, revenues, and expenditures/expenses. The City reports the difference between its governmental fund assets and liabilities and deferred inflows of resources as fund balance.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and change in fund balances. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has presented all major funds that met the applicable criteria. Schedules are presented to reconcile and explain the differences in governmental fund balances as presented in these statements to the net position and change in net position presented in the government-wide financial statements.

Governmental Funds

The following is a description of the governmental funds of the City:

General Fund (Major)

The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all financial resources, except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are utilized to account for proceeds of specific revenue sources (other than expandable trusts or major capital projects) used to finance specific activities as required by law or administrative regulation. The following funds included in the accompanying government-wide and fund financial statements are accounted for as special revenue funds: Special Cities, Liquid Fuels, American Rescue Plan Act (ARPA), Office of Economic and Community Development (OECD), and the SRA.

The OECD, Special Cities, and ARPA Funds are classified as major funds. The remaining special revenue funds are classified as nonmajor funds.

Proprietary Funds

The focus of proprietary funds measurement is the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations.

The City's proprietary funds are classified as internal service and enterprise funds.

Internal Service Fund

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments on a cost reimbursement basis. The City accounts for its self-insurance of workers' compensation claims in this fund. This proprietary fund is reported within the governmental activities in the government-wide financial statements.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds (Continued)

Enterprise Fund

Enterprise funds are used for activities which are financed and operated in a manner similar to businesses in the private sector, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The principal operating revenue for the City's proprietary fund is the collection of delinquent sewer fees. Operating expenses for the City's Enterprise Fund include salaries and administrative costs. All revenue or expenses not meeting this definition are reported as nonoperating revenue and expenses.

Fiduciary Funds

The focus of the fiduciary fund is to account for assets held by the City in a trustee capacity or an agent for individuals, private organizations, other governmental units and/or other funds. The pension trust funds consist of the Police Pension Plan, Firemen Pension Plan, and Nonuniformed Pension Plan. These funds are accounted for within a single aggregate fund.

Measurement Focus and Basis of Accounting

The government-wide statement of net position and statement of activities are reported using the "economic resources measurement focus" and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred inflows of resources.

Revenues susceptible to accrual include property taxes, employment and business taxes, public charges for services, and interest. Other general revenues such as fines and forfeitures, permit fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports unearned revenues on its governmental funds balance sheet. For governmental fund financial statements, unearned revenues arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

Budgets and Budgetary Accounting

The City prepares an annual operating budget for the general fund on a basis consistent with accounting principles generally accepted in the United States of America. The preparation of the annual operating budget begins by September 15 for the subsequent budget year. By November 15, the Mayor submits to City Council a proposed budget for the general fund for the fiscal year commencing January 1. City Council publishes, in one or more newspapers of general circulation within the City, a summary of the budget and a notice that the budget is available for public inspection. A public hearing takes place by December 1, at which time City Council may adopt the budget with or without amendment. In amending the budget, City Council may delete, increase or decrease programs or amounts, except for expenditures required by law or for debt service. If a change in a program or a budgetary item exceeds 10% of the Mayor's proposed budget, another public hearing must take place within 72 hours to justify the change. In no case can an amendment increase authorized expenditures to an amount greater than total estimated funds available. City Council must adopt an annual budget by December 15. If City Council fails to adopt a budget by December 15, the Mayor's proposed budget becomes the official budget for the City for the ensuing year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash and all other investment instruments which are carried at cost, with original maturities of three months or less.

Restricted Cash

Several governmental fund cash accounts, which were funded through grants from the federal government and the Commonwealth of Pennsylvania, are restricted for various programs undertaken by the City.

Investments

Investments are stated at fair-value based on quoted market prices. Fair-value is the amount at which a financial investment could be exchanged in a current transaction between willing parties.

Receivables

Accounts and taxes receivable in the governmental fund financial statements are shown at the total amount due. Taxes, franchise fees and grants not collected within 60 days are offset by deferred inflows of resources in the fund financial statements. The City provides an allowance for doubtful accounts receivable equal to the estimated collection losses that will be incurred. The estimate is based on historical collection experience and a review of the current status of outstanding accounts.

Loans Receivable

Loans receivable consist of economic development loans to third parties that are administered by OECD. Most of these loans bear interest, usually at a very low rate and are reported at the gross principal outstanding net of an allowance for uncollectable loans. Grant revenue received for revolving loan programs is considered unearned revenue until principal payments are received on the loans. Interest income is recorded when received.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as due to and due from funds. Short-term interfund loans are reported as interfund receivables and payables. Long-term interfund loans are reported as advances from and to other funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are reported in the government-wide statement of net position but are reported in the government fund financial statements as expenditures. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

All capital assets, except land and construction-in-progress, are depreciated. Land is never depreciated. Construction-in-progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Redevelopment Authority of the City of Scranton</u>	<u>Government- Wide</u>
Building and Building Improvements	N/A	20 to 50 Years
Land Improvements	N/A	10 to 15 Years
Equipment/Furniture	15 Years	5 to 7 Years
Vehicles	N/A	8 to 15 Years
Roadways	N/A	30 to 50 Years
Traffic Systems	N/A	15 Years

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Depreciation of all exhaustible capital assets is recorded as a direct expense in the accompanying statement of activities, with accumulated depreciation reflected in the statement of net position.

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing the cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the statement of net position is related to pensions and other postemployment benefits. Deferred outflows on pension and other postemployment benefits are more fully discussed in Notes 12 and 14.

In addition to liabilities, the statement of net position and the governmental funds balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements. The City of Scranton, Pennsylvania's deferred inflows of resources reported on the statement of net position relate to pension and other postemployment benefits, which are more fully discussed in Notes 13 and 15. The statement of net position and the governmental funds balance sheet also report a deferred inflow of resources related to leases. The lease related deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus any payments received at or before the start of the lease term that relates to future periods, less any lease incentives paid to, or on behalf of the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Under the modified accrual basis of accounting, deferred inflows of resources also include revenues not collected within the availability period after the fiscal year-end. The City of Scranton, Pennsylvania has reported deferred inflows of resources related to unavailable revenues for taxes. These amounts are deferred and will be recognized as an inflow of resources in the period that amounts become available.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. Long-term debt consists primarily of bonds and notes payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures. The accounting for long-term debt in proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

Bond discount or premium, the reacquisition price, and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The City's vacation policy generally provides that unused vacation benefits lapse at year-end. Unused vacation may be carried over only with the approval of the department head. Unused sick pay accumulates to varying maximum amounts for the various classes of City employees.

Pensions and OPEB

For purposes of measuring the net pension liability, total OPEB liability, deferred outflows and deferred inflows of resources, pension and OPEB expense, fiduciary net position and additions to/deductions from the Plan's fiduciary net position, have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair-value.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Governmental Fund Balances

Generally, governmental fund balances represent the difference between the current assets and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – fund balance that contains self-imposed constraints of the government from its highest level of decision-making authority, the City Council. The City Council commits revenue streams through adopted motions.

Assigned – amounts constrained by the City's intent to use them for a specific purpose. Fund balance is assigned by City Council by passage of a new resolution.

Unassigned – all other spendable amounts.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is to pay the expenditure from restricted fund balance and then from less restrictive classifications: committed, assigned, then unassigned.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Real Estate Taxes

Real estate taxes are based upon assessed valuations provided by Lackawanna County. The elected tax collector bills and collects real estate taxes. The assessed value at January 1, 2022, upon which the 2022 levy was based, was approximately \$377.5 million. Delinquent taxes for the first year are collected by the Single Tax Office and thereafter are collected by an outside collection agency.

The schedule for real estate taxes levied is as follows:

February 1	Original Levy Date
February 1 to March 1	2.5% Discount Period
March 1 to April 30	2% Discount Period
May 1 to June 30	Face Payment Period
July 1 to January 15	10% Penalty Period
January 16	Lien Date

In addition, City taxes may be paid in four installments, in which the first two quarterly payments aggregating 50% of the face amount are due by June 30. The third and fourth quarterly payments are due on August 31 and October 31, respectively. Any delinquent installment is subject to a penalty of 10%. The City utilizes the reserve method for writing off uncollectible real estate taxes.

The millage rate at January 1, 2022, was 239.521 mills on the assessed value of land and 50.564 mills on the assessed value of improvements.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effects of New Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective January 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption.

Subsequent Events

Management has evaluated subsequent events through December 15, 2023, which is the date the financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

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

The deposit policy of the City adheres to state statutes. Deposits of the City are either maintained in demand deposits or invested in certificates of deposit.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. The City maintains its deposits with financial institutions which are insured by the FDIC up to \$250,000. As of December 31, 2022, \$37,142,815 of the City's governmental and business-type activities bank balances of \$39,447,989 was uninsured, but was collateralized by securities held by the pledging banks' trust department not in the City's name; and \$2,305,174 was collateralized by securities held by the pledging banks' trust department in the City's name.

The deposits of the SRA and the Sewer Authority are insured by the FDIC or collateralized by securities pledged by the financial institution, not in the SRA's or the Authority's name.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

As of December 31, 2022, the City had the following investments:

	<u>Cost</u>	<u>Fair Value</u>
Proprietary Funds:		
Sewer Authority Fund:		
Cash and Cash Equivalents	\$ 159,044	\$ 159,044
Restricted Cash and Cash Equivalents	8,244,109	8,244,109
Internal Service Fund:		
Cash and Cash Equivalents	4,321,109	4,321,109
Corporate Obligations:		
Corporate - Domestic Bonds	2,712,698	2,631,311
Governmental Securities:		
U.S. Treasury Notes	448,739	436,947
U.S. Government Agencies	1,079,920	1,046,852
Mutual Funds:		
Fixed Income Mutual Funds	9,807,254	8,267,366
Equity Mutual Funds	1,385,649	1,493,440
Total Proprietary Funds	<u>\$ 28,158,522</u>	<u>\$ 26,600,178</u>
Governmental Funds:		
General Fund:		
Restricted Cash and Cash Equivalents	\$ 578,993	\$ 578,993
OECD Fund:		
Restricted Cash and Cash Equivalents	1,831,180	1,831,180
Special Cities Fund:		
Restricted Cash and Cash Equivalents	3,958,324	3,958,324
American Rescue Plan Act Fund:		
Cash and Cash Equivalents	2,795,288	2,662,821
Governmental Securities:		
U.S. Treasury Notes	55,311,561	54,600,782
U.S. Government Agencies	7,500,000	7,404,254
Mutual Funds:		
Fixed Income Mutual Funds	3	3
Total Governmental Funds	<u>\$ 71,975,349</u>	<u>\$ 71,036,357</u>
Fiduciary Funds:		
Pension Trust Fund:		
Cash Equivalents	\$ 14,579,107	\$ 14,579,107
Mutual Funds:		
Bond Mutual Funds	44,681,634	39,339,814
Equity Mutual Funds	64,365,169	63,967,994
Total Fiduciary Funds	<u>\$ 123,625,910</u>	<u>\$ 117,886,915</u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in an event of the failure of the counterparty, the City will not recover the value of its investments of collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investments in a single issuer. The City does not have a formal policy that addresses concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

NOTE 3 FAIR-VALUE MEASUREMENTS

GAAP defines fair value as the price that would be received upon the sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. GAAP specifies a hierarchy of inputs to valuation techniques, which categorizes inputs to fair-value measurement that reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair-value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that an organization has the ability to access,

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly, and

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair-value measurements.

GAAP requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair-value measurement is categorized is based on the lowest level input that is significant to the fair-value measurement.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 FAIR-VALUE MEASUREMENTS (CONTINUED)

The carrying values of cash, accounts receivable, prepaid expenses, accounts payable, accrued liabilities and other payables, approximate fair-values due to the short maturity of these financial instruments.

The following tables present the fair-value measurements of assets recognized in the accompanying statements of net position measured at fair-value on a recurring basis and the level within the fair-value hierarchy in which the fair-value measurements fall at December 31:

Investment Type	Fair Value Measurements Using			Fair Value
	Level 1	Level 2	Level 3	
Internal Service Fund:				
Corporate Obligations:				
Corporate - Domestic Bonds	\$ 2,631,311	\$ -	\$ -	\$ 2,631,311
Governmental Securities:				
U.S. Treasury Notes	436,947	-	-	436,947
U.S. Government Agencies	1,046,852	-	-	1,046,852
Mutual Funds:				
Equity Mutual Funds	8,267,366	-	-	8,267,366
Fixed Income Mutual Funds	1,493,440	-	-	1,493,440
Total Internal Service Fund	<u>\$ 13,875,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,875,916</u>
Governmental Funds:				
American Rescue Plan Act Fund:				
Governmental Securities:				
U.S. Treasury Notes	\$ 54,600,782	\$ -	\$ -	\$ 54,600,782
U.S. Government Agencies	7,404,254	-	-	7,404,254
Mutual Funds:				
Fixed Income Mutual Funds	3	-	-	3
Total American Rescue Plan Act Fund	<u>\$ 62,005,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,005,039</u>
Pension Trust Fund:				
Mutual Funds:				
Equity Mutual Funds	\$ 63,967,994	\$ -	\$ -	\$ 63,967,994
Bond Mutual Funds	39,339,814	-	-	39,339,814
Total Pension Trust Fund	<u>\$ 103,307,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,307,808</u>

NOTE 4 TAXES AND FEES RECEIVABLE

Taxes receivable in the general fund consist of the following at December 31:

Real Estate Taxes	\$ 14,356,010
Other Taxes:	
Earned Income	7,078,550
LST	1,209,405
Real Estate Transfer Tax	593,658
Business Privilege	25,719
Amusement	18,544
Payroll Preparation	202,468
Subtotal	<u>23,484,354</u>
Less: Allowance for Uncollectible Taxes	<u>(6,686,651)</u>
Total	<u>\$ 16,797,703</u>

Garbage fees receivable in the general fund are reported net of an allowance of \$6,167,434 at December 31, 2022. Delinquent sewer fees in the proprietary fund are reported net of an allowance of \$2,867,190 at March 31, 2022.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 DUE TO/FROM OTHER FUNDS

The following summarizes receivables and payables between funds as December 31:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Special Cities	\$ 565,255	\$ 904,133
American Rescue Plan Act	11,416	-
Office of Economic and Community Development	48,656	-
Office of Economic and Community Development:		
General Fund	-	48,656
Nonmajor	561,487	-
Special Cities:		
General Fund	904,133	565,255
American Rescue Plan Act		
General Fund	-	11,416
Nonmajor:		
Office of Economic and Community Development:	-	561,487
Total	<u>\$ 2,090,947</u>	<u>\$ 2,090,947</u>

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31 was as follows:

	<u>Balance - As Restated January 1, 2022</u>	<u>Increase or Reclassification</u>	<u>Decrease or Reclassification</u>	<u>Balance - December 31, 2022</u>
Governmental Activities:				
Capital Assets Not being Depreciated:				
Land	\$ 3,797,990	\$ -	\$ -	\$ 3,797,990
Construction in Progress	1,967,292	146,971	-	2,114,263
Total Capital Assets Not being Depreciated	5,765,282	146,971	-	5,912,253
Capital Assets being Depreciated:				
Infrastructure	143,310,049	-	-	143,310,049
Building	12,657,142	-	-	12,657,142
Land and Building Improvements	11,457,273	-	-	11,457,273
Vehicles, Equipment, and Furniture	25,060,292	915,350	(472,454)	25,503,188
Right-to-Use Lease Assets	118,314	166,767	-	285,081
Total Capital Assets being Depreciated	192,603,070	1,082,117	(472,454)	193,212,733
Less Accumulated Depreciation:				
Infrastructure	90,491,274	7,699,184	-	98,190,458
Building	6,431,251	779,903	-	7,211,154
Land and Building Improvements	8,639,028	655,365	-	9,294,393
Vehicles, Equipment, and Furniture	17,793,679	2,449,188	(418,611)	19,824,256
Right-to-Use Lease Assets	25,311	46,362	-	71,673
Total Accumulated Depreciation	123,380,543	11,630,002	(418,611)	134,591,934
Total Capital Assets being Depreciated, Net	69,222,527	(10,547,885)	(53,843)	58,620,799
Total Capital Assets, Net	<u>\$ 74,987,809</u>	<u>\$ (10,400,914)</u>	<u>\$ (53,843)</u>	<u>\$ 64,533,052</u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of governmental activities as follows:

Depreciation Expense - Governmental Activities:	
General Government - Administrative	\$ 392,654
Public Safety	2,323,007
Public Works	8,373,214
Community Development	50,413
Culture and Recreation	444,352
Total Depreciation Expense - Governmental Activities	<u>\$ 11,583,640</u>

NOTE 7 LEASE RECEIVABLES

The City, acting as lessor, leases wireless communications facilities under long-term, noncancelable lease agreements. The leases expire at various dates through 2042. During the year ended December 31, 2022, the City recognized \$3,222 and \$16,053 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Principal and interest requirements to maturity under lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,368	\$ 15,812	\$ 21,180
2024	5,620	15,560	21,180
2025	5,884	15,296	21,180
2026	6,160	15,020	21,180
2027	7,390	14,690	22,080
2028-2032	56,672	66,148	122,820
2033-2037	92,465	48,775	141,240
2038-2042	147,000	21,723	168,723
2043-2047	39,369	2,606	41,975
Total	<u>\$ 365,928</u>	<u>\$ 215,630</u>	<u>\$ 581,558</u>

NOTE 8 SHORT-TERM DEBT

During the year ended December 31, 2022, the City obtained a \$10,000,000 tax anticipation note. The note was repaid, with interest, during the year for \$10,068,017.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9 LONG-TERM OBLIGATIONS

At December 31 general long-term debt obligations were as follows:

	Balance Outstanding - Beginning of Year	Additions	Reductions	Balance Outstanding - End of Year	Amounts Due Within One Year
General Obligation Bonds:					
Series A and AA of 2016	\$ 25,835,000	\$ -	\$ (3,385,000)	\$ 22,450,000	\$ 3,665,000
Series A of 2017	16,000,000	-	(2,425,000)	13,575,000	2,555,000
Total General Obligation Bonds	<u>41,835,000</u>	<u>-</u>	<u>(5,810,000)</u>	<u>36,025,000</u>	<u>6,220,000</u>
General Obligation Notes:					
Series of 2016	31,830,000	-	(285,000)	31,545,000	295,000
Series of 2021	2,881,000	-	(391,000)	2,490,000	398,000
Total General Obligation Notes	<u>34,711,000</u>	<u>-</u>	<u>(676,000)</u>	<u>34,035,000</u>	<u>693,000</u>
Notes Payable:					
DCED Act 47 Loan	100,000	-	(100,000)	-	-
PIB Loan	940,557	-	(229,528)	711,029	233,258
Total Notes Payable	<u>1,040,557</u>	<u>-</u>	<u>(329,528)</u>	<u>711,029</u>	<u>233,258</u>
Total Long-Term Debt Obligations	<u>\$ 77,586,557</u>	<u>\$ -</u>	<u>\$ (6,815,528)</u>	<u>\$ 70,771,029</u>	<u>\$ 7,146,258</u>
Financed Purchase Contracts Payable:					
Financed Purchase Contracts	<u>\$ 1,245,122</u>	<u>\$ 847,746</u>	<u>\$ (493,448)</u>	<u>\$ 1,599,420</u>	<u>\$ 605,079</u>
Other Long-Term Liabilities:					
Compensated Absences	<u>\$ 3,717,521</u>	<u>\$ 481,033</u>	<u>\$ -</u>	<u>\$ 4,198,554</u>	<u>\$ -</u>

A summary of long-term debt outstanding at December 31, 2022, is as follows:

General Obligation Bonds

General Obligation Bonds, Series A and AA of 2016

In June 2016, the City issued Guaranteed Lease Revenue Bonds, Series A and Series AA of 2016 in the amount of \$29,810,000 and \$7,920,000, at interest rates of 5.00% and 5.25%, respectively. Principal and interest are due each year in May and November through November 2028 and 2026, respectively.

General Obligation Bonds, Series of 2017

In August 2017, the City issued General Obligation Bonds in the amount of \$24,620,000, at an interest rate of 5%. Principal and interest are due each year on September 1, through September 2029. The bonds were used to refund the Series B of 2003 debt.

Future debt service requirements on general obligation bonds as of December 31, 2022, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 6,220,000	\$ 1,809,100	\$ 8,029,100
2024	5,970,000	1,496,288	7,466,288
2025	4,940,000	1,195,876	6,135,876
2026	5,185,000	946,862	6,131,862
2027	4,605,000	317,750	4,922,750
2028 to 2029	9,105,000	1,055,500	10,160,500
Total	<u>\$ 36,025,000</u>	<u>\$ 6,821,376</u>	<u>\$ 42,846,376</u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Notes

General Obligation Note, Series of 2016

On August 24, 2016, the City of Scranton, in accordance with the Local Governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a), issued \$32,850,000 of 5.00% general obligation notes. Proceeds of the notes were used towards the costs of a project consisting of (a) refunding the City's outstanding lease rental debt represented by the City's respective guaranties of the Parking Authority of the City of Scranton, Pennsylvania's (the Parking Authority) Guaranteed Parking Revenue Bonds, Series of 2004, the Parking Authority's Guaranteed Parking Revenue Bonds, Series of 2006, and the Parking Authority's Guaranteed Parking Revenue Bond, Series of 2007 (collectively, the Refunded Bonds), (b) funding various capital improvements in the City, including renovations to certain fire stations located in the City, and (c) paying the costs related to the issuance of the notes. Interest is payable on May 15 and November 15 each year with final maturity November 15, 2032.

The notes are subject to redemption at the option of the City prior to maturity. The notes are subject to mandatory redemption from required sinking fund amortization, prior to maturity, in part, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to date fixed for redemption, on November 15 of each year, drawn by lot by the paying agent.

General Obligation Note, Series of 2021

On July 13, 2021, the City of Scranton, in accordance with the Local Governmental Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a), issued \$3,210,000 of general obligation notes with an interest rate of 1.71%. Proceeds of the notes were used to pay off the City's Emmaus General Authority, Series 2002 General Obligation Bonds. Principal and interest is payable on August 1 each year with final maturity on August 1, 2028.

Future debt service requirements on general obligation notes as of December 31, 2022, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 693,000	\$ 1,619,829	\$ 2,312,829
2024	1,285,000	1,598,272	2,883,272
2025	2,677,000	1,547,348	4,224,348
2026	3,048,000	1,427,053	4,475,053
2027	4,035,000	1,288,405	5,323,405
2028 to 2032	22,297,000	3,104,637	25,401,637
Total	<u>\$ 34,035,000</u>	<u>\$ 10,585,544</u>	<u>\$ 44,620,544</u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9 LONG-TERM OBLIGATIONS (CONTINUED)

Notes Payable

DCED Act 47 Loan

On September 12, 2012, the City borrowed \$2,000,000 through a noninterest-bearing loan under the Municipalities Financial Recovery Program from the Commonwealth of Pennsylvania acting through the Department of Community and Economic Development. The loan required a payment of \$1,000,000, within 30 days of the receipt of the 2012 unfunded debt settlement and thereafter \$50,000 semiannual payments on May 31 and November 30 of each year, with a maturity of November 2022.

PIB Loan

In 2015, the City borrowed \$2,242,820 at an interest rate of 1.625%. Principal and interest payments are due annually through November 2025.

Future debt service requirements on notes payable as of December 31 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 233,258	\$ 11,554	\$ 244,812
2024	237,048	7,764	244,812
2025	240,723	4,089	244,812
Total	<u>\$ 711,029</u>	<u>\$ 23,407</u>	<u>\$ 734,436</u>

Financed Purchase Agreements

The City has entered into various financed purchase agreements for equipment with a net value of \$1,406,529 at December 31, 2022, payable in annual installments including interest from 3.35% to 4.272%, with final payments through August 2026.

Future debt service requirements on capitalized leases as of December 31 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 491,785	\$ 28,470	\$ 520,255
2024	91,501	10,656	102,157
2025	94,924	7,233	102,157
2026	98,475	3,684	102,159
Total	<u>\$ 776,685</u>	<u>\$ 50,043</u>	<u>\$ 826,728</u>

NOTE 10 LEASES PAYABLE

The City leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through February 2027. The right-to-use lease assets and the related accumulated amortization are detailed in Note 6.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 10 LEASES PAYABLE (CONTINUED)

Principal and interest requirements to maturity under lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 54,651	\$ 15,577	\$ 70,228
2024	58,962	11,267	70,229
2025	51,714	6,578	58,292
2026	42,432	2,477	44,909
2027	3,475	29	3,504
Total	<u>\$ 211,234</u>	<u>\$ 35,928</u>	<u>\$ 247,162</u>

NOTE 11 INTERFUND TRANSFERS

Interfund transfers during the year ended December 31 were as follows:

	<u>Operating Transfer In</u>	<u>Operating Transfer Out</u>
General Fund:		
Liquid Fuels Fund	\$ 691,191	\$ -
Liquid Fuels Fund:		
General Fund	-	691,191
Total	<u>\$ 691,191</u>	<u>\$ 691,191</u>

NOTE 12 RISK MANAGEMENT

Health Insurance

The City self-insures for health insurance to a maximum claim amount of \$325,000, after which claims are assumed by private insurance companies. Highmark Blue Cross/Blue Shield (BCBS) manages the claims, and the City remits weekly payments to BCBS to cover the claims and administrative fees. Employees contribute to the cost of the insurance in amounts determined by their labor contract.

Workers' Compensation

The City's risk management activities for workers' compensation are reported within governmental activities and recorded in the Workers' Compensation Internal Service Fund. The purpose of this fund is to administer a self-insured retention program (SIR). Claims in excess of SIR limits of \$350,000 are covered through third-party insurance policies. Payments of actual claim costs are made by a third-party administrator and are billed to the City and reimbursed by the General Fund. The claim costs are reflected as revenues in the internal service fund.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 12 RISK MANAGEMENT (CONTINUED)

Workers' Compensation (Continued)

The accrued workers' compensation claim loss reserve of \$13,504,714 as of December 31, 2022, was determined by an actuary and represents the discounted present value of expected losses using a 1.90% interest factor. The actuarial value was determined as of August 31, 2022. The amount of workers' compensation claims operating expense (income) for the internal service fund for the year ended December 31, is as follows:

Workers' Compensation Claims:

Claims and Cost Paid	\$	457,966
Decrease in Actuarial Discounted Loss R		<u>(2,120,301)</u>
Workers' Compensation Claims, Net	\$	<u><u>(1,662,335)</u></u>

The reconciliation of changes in the aggregate liabilities for the current year and the prior year are as follows:

<u>Year Ending December 31,</u>	<u>Balance - Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance - End of Year</u>
2021	\$ 16,099,181	\$ 2,769,824	\$ 1,837,692	\$ 15,167,049
2022	15,167,049	2,120,301	457,966	13,504,714

In December 2022, Council adopted a resolution authorizing the allocation of \$2 million to establish another postemployment benefit plan trust. As soon as it is practical after the appointment of an investment adviser and the execution of the Custodian Agreement, the City shall make an initial contribution in the amount of \$2 million. The funds for the trust came from a pool of unrestricted workers' compensation excess reserve funds the Pennsylvania Department of Labor and Industry returned to the City. As of December 31, 2022, the City has not appointed an investment advisor or executed the Custodian Agreement.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City retains the risk up to various levels depending on the type of risk. Excess loss coverage is purchased for coverage on claims exceeding the retention level.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 12 RISK MANAGEMENT (CONTINUED)

Workers' Compensation (Continued)

At December 31, 2022, the City's self-insured retention limits are as follows:

Type of Coverage:	Self-Insurance Retention (SIR) (All Claims Up to)	Excess Coverage Policy (From SIR Up to)
	(SIR) (All Claims Up to)	Policy (From SIR Up to)
General Liability	\$ 50,000	\$ 1,000,000
Law Enforcement Liability	150,000	1,000,000
Public Officials Liability	15,000	1,000,000
Property	25,000	57,142,273
Automobile Liability	50,000	1,000,000
Excess Workers' Compensation	1,000,000	25,000,000
Boiler and Machinery	25,000	57,142,273

NOTE 13 PENSION PLANS – DEFINED BENEFIT

Plan Description

The City sponsors and administers three single employer defined benefit pension plans covering substantially all full-time employees. These plans are the police, firemen, and nonuniformed pension plans (the Plans). Pennsylvania Act 205 and the City's Home Rule Charter assigns the authority to establish and amend benefit provisions to the Pension Fund Board as authorized by City Council. Plans have been designated as severely distressed under Pennsylvania Act 205.

The Police Pension Plan provides for normal retirement with 25 years of credited service and an attained age of 55 years for members hired on or after July 1, 1987. For members hired prior to July 1, 1987, the Plan provides for normal retirement with 25 years of credited service. The Firemen's Pension Plan provides for normal retirement at age 55 with 25 years of credited service for members hired on or after July 1, 1987. For members hired prior to July 1, 1987, the Plan provides for normal retirement with 25 years of credited service. The Nonuniformed Pension Plan provides for normal retirement at age 55 with completion of 15 years of service and have contributed to the pension fund for 20 years. Members are 100% vested when eligible.

Information regarding the plans can be obtained from the City. The plans do not issue separate financial statements but are included in the City's fund financial statements as a fiduciary fund type: Pension Trust Funds.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 PENSION PLANS – DEFINED BENEFIT (CONTINUED)

Plan Membership

The following table provides information concerning the types of covered employees and benefit provision for each of the Plans.

	<u>Police Pension Plan</u>	<u>Firemen Pension Plan</u>	<u>Nonuniformed Pension Plan</u>
Inactive Plan Members Currently Receiving Benefits	183	203	135
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	3	-	4
Active Plan Members	<u>138</u>	<u>141</u>	<u>121</u>
Total	<u><u>324</u></u>	<u><u>344</u></u>	<u><u>260</u></u>

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Plan Contributions

Police and firemen are required to contribute 6% of covered payroll. Nonuniformed nonunion employees are required to contribute 3% of covered payroll but not more than \$24 per month if hired before July 1, 1987. Nonuniformed nonunion employees contribute \$22 per month if hired after July 1, 1987, or amounts as determined by ordinance.

Pennsylvania Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act of the Commonwealth of Pennsylvania (as amended), (Act 205) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the Plans' biennial actuarial valuation. According to Act 205, actuarial valuations may be made biennially and the most recent valuation for all of the City's plans was completed as of January 1, 2022. The MMO is now defined as the total financial requirement to the pension fund, less funding adjustment and estimated member contribution. The Commonwealth of Pennsylvania provides an allocation of funds which must be used for pension funding. Any financial requirements established by the MMO which exceeds Commonwealth and member contributions must be funded by the City. In accordance with Act 205, the City was required to contribute to the three plans for the year ended December 31, 2022.

Contributions, based on the MMO, in 2022 consisted of the following:

	<u>Police Pension Plan</u>	<u>Firemen Pension Plan</u>	<u>Nonuniformed Pension Plan</u>	<u>Total</u>
City	\$ 3,302,127	\$ 7,444,849	\$ -	\$ 10,746,976
Commonwealth	1,788,053	1,684,444	609,700	4,082,197
Total	<u><u>\$ 5,090,180</u></u>	<u><u>\$ 9,129,293</u></u>	<u><u>\$ 609,700</u></u>	<u><u>\$ 14,829,173</u></u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 PENSION PLANS – DEFINED BENEFIT (CONTINUED)

Financial Statements

As of December 31, 2022, the pension plans' statements of fiduciary net position were as follows:

	Police Pension Plan	Firemen Pension Plan	Nonuniformed Pension Plan
Assets:			
Cash and Cash Equivalents	\$ 7,617,583	\$ 6,005,134	\$ 956,389
Investments	53,351,583	43,502,840	6,453,386
Receivables	<u>27,434</u>	<u>21,627</u>	<u>3,444</u>
Total Assets	60,996,600	49,529,601	7,413,219
Liabilities:			
Accounts Payable	<u>18,567</u>	<u>14,637</u>	<u>2,331</u>
Total Liabilities	18,567	14,637	2,331
Fiduciary Net Position:			
Restricted for Pensions	<u><u>\$ 60,978,033</u></u>	<u><u>\$ 49,514,964</u></u>	<u><u>\$ 7,410,888</u></u>

For the year December 31, 2022, the pension plans' statements of changes in fiduciary net position were as follows:

	Police Pension Plan	Firemen Pension Plan	Nonuniformed Pension Plan
Additions			
Contributions:			
Employer Contributions (including Commonwealth aid)	\$ 5,090,180	\$ 9,129,293	\$ 609,700
Contributions by Members	<u>653,257</u>	<u>668,685</u>	<u>36,539</u>
Total Contributions	5,743,437	9,797,978	646,239
Net Investment Income:	(11,125,096)	(9,026,236)	(1,352,682)
Total Additions	<u>(5,381,659)</u>	<u>- 771,742</u>	<u>(706,443)</u>
Deductions			
Retirement Benefits Paid	5,749,072	6,786,124	956,719
Administrative Expenses	<u>46,920</u>	<u>43,860</u>	<u>42,766</u>
Total Deductions	5,795,992	6,829,984	999,485
Change in Net Position	(11,177,651)	(6,058,242)	(1,705,928)
Net Position - Beginning of Year	<u>72,155,684</u>	<u>55,573,206</u>	<u>9,116,816</u>
Net Position - End of Year	60,978,033	49,514,964	7,410,888

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 PENSION PLANS – DEFINED BENEFIT (CONTINUED)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plans do not have a formal investment policy that addresses credit risk. The credit risk of a debt instrument as measured by a Nationally Recognized Statistical Rating Organization (NRSRO). (Morningstar for bond mutual funds or Moody's for bonds and mortgages) is as follows:

Investment Type	Fair Value	Quality
Fixed Income Funds	\$ 32,901,345	A
Fixed Income Fund	2,255,824	BBB
Fixed Income Fund	901,357	BB
Fixed Income Fund	3,281,288	B
Money Market Funds	<u>14,527,500</u>	Not Rated
TOTAL	\$53,867,314	

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the Plans will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Plans do not have a formal investment policy that addresses custodial credit risk, however, the Plan held no investments that were exposed to custodial credit risk at December 31, 2022.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plans do not have a formal investment policy that addresses foreign currency risk, however, the Plans held no investments that were exposed to foreign currency risk as of December 31, 2022.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment or a deposit. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. The Plans do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2022 the Plans' investment balance exposed to interest rate risk was as follows:

Investment Type	<u>Investment Maturities (in Years)</u>				
	Fair Value	Less Than 1	1 - 5	6 - 10	> than10
Fixed Income Funds	\$39,339,814	\$3,281,288	\$901,357	\$35,157,169	\$ 0
TOTAL	<u>\$39,339,814</u>	<u>\$3,281,288</u>	<u>\$901,357</u>	<u>\$35,157,169</u>	<u>\$ 0</u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 PENSION PLANS – DEFINED BENEFIT (CONTINUED)

Net Pension Liability

At December 31, 2022, the City reported a net pension liability for the Police Plan of \$27,189,783, the Firemen’s Plan of \$41,374,859 and the Non-uniformed Plan of \$3,269,415. Update procedures were used to roll forward to the plans’ fiscal year ending December 31, 2022. The total pension liability was determined as part of an actuarial valuation at January 1, 2021 and rolled forward to December 31, 2022.

The components of the net pension liability at December 31, 2022 were as follows:

	<u>Police Plan</u>	<u>Firemen Plan</u>	<u>Non-uniformed Plan</u>
Total Pension Liability	\$ 88,185,290	\$ 90,904,460	\$ 10,682,634
Plan Fiduciary Net Position	<u>(60,995,507)</u>	<u>(49,529,601)</u>	<u>(7,413,219)</u>
Net Pension Liability	<u>\$ 27,189,783</u>	<u>\$ 41,374,859</u>	<u>\$ 3,269,415</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>69.2%</u>	<u>54.5%</u>	<u>69.4%</u>

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of December 31, 2022, is as follows:

Asset Class:	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	36.00 %	5.10 %
International Equity	13.50	4.80
Emerging Equity	5.50	5.20
Core Fixed Income	20.00	1.40
Intermediate Inv. Grade Corp.	10.00	1.40
High Yield	5.00	2.50
Emerging Debt	5.00	2.40
Cash	5.00	0.30
Total Net Blended Return*		<u>3.42 %</u>
Long-Term Expected Rate of Return (Including Inflation)		<u>5.92 %</u>

*Excludes 2.50% Inflation Assumption

For the year ended December 31, 2022, the annual money weighted rate of return on pension plan investments, net of investment expense was -15.71%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 PENSION PLANS – DEFINED BENEFIT (CONTINUED)

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Discount Rate

The discount rate used to measure the total pension liability for the three pensions was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon the Plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability. The actuary recommends that the governing body explore the costs of lowering the actuarial assumed investment rate of return going forward to be more consistent with the plan's anticipated investment returns.

Changes in the Police Plan Net Pension Liability

	(A) Total Pension Liability	(B) Plan Fiduciary Net Position	(A - B) Net Pension Liability
Balances - Beginning of Year	\$ 86,579,099	\$ 72,169,910	\$ 14,409,189
Changes for the Period:			
Service Cost	1,199,704	-	1,199,704
Interest	6,155,559	-	6,155,559
Difference Between Expected and Actual Experience	-	-	-
Assumption Changes	-	-	-
Employer Contributions (including commonwealth aid)	-	5,090,180	(5,090,180)
Employee Contributions	-	653,257	(653,257)
Net Investment Income	-	(11,125,096)	11,125,096
Benefit Payments and Refunds	(5,749,072)	(5,749,072)	-
Administrative Expense	-	(43,672)	43,672
Net Changes	<u>1,606,191</u>	<u>(11,174,403)</u>	<u>12,780,594</u>
Balances - End of Year	<u>\$ 88,185,290</u>	<u>\$ 60,995,507</u>	<u>\$ 27,189,783</u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 PENSION PLANS – DEFINED BENEFIT (CONTINUED)

Changes in the Firemen’s Plan Net Pension Liability

	(A) Total Pension Liability	(B) Plan Fiduciary Net Position	(A - B) Net Pension Liability
Balances - Beginning of Year	\$ 90,236,329	\$ 55,587,843	\$ 34,648,486
Changes for the Period:			
Service Cost	1,079,830	-	1,079,830
Interest	6,374,425	-	6,374,425
Difference Between Expected and Actual Experience	-	-	-
Assumption Changes	-	-	-
Employer Contributions (including commonwealth aid)	-	9,129,293	(9,129,293)
Employee Contributions	-	668,685	(668,685)
Net Investment Income	-	(9,026,236)	9,026,236
Benefit Payments and Refunds	(6,786,124)	(6,786,124)	-
Administrative Expense	-	(43,860)	43,860
Net Changes	<u>668,131</u>	<u>(6,058,242)</u>	<u>6,726,373</u>
Balances - End of Year	<u>\$ 90,904,460</u>	<u>\$ 49,529,601</u>	<u>\$ 41,374,859</u>

Changes in the Non-uniformed Plan Net Pension Liability

	(A) Total Pension Liability	(B) Plan Fiduciary Net Position	(A - B) Net Pension Liability
Balances - Beginning of Year	\$ 10,808,865	\$ 9,119,147	\$ 1,689,718
Changes for the Period:			
Service Cost	76,015	-	76,015
Interest	754,473	-	754,473
Difference Between Expected and Actual Experience	-	-	-
Assumption Changes	-	-	-
Employer Contributions (including commonwealth aid)	-	609,700	(609,700)
Employee Contributions	-	36,539	(36,539)
Net Investment Income	-	(1,352,682)	1,352,682
Benefit Payments and Refunds	(956,719)	(956,719)	-
Administrative Expense	-	(42,766)	42,766
Net Changes	<u>(126,231)</u>	<u>(1,705,928)</u>	<u>1,579,697</u>
Balances - End of Year	<u>\$ 10,682,634</u>	<u>\$ 7,413,219</u>	<u>\$ 3,269,415</u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 PENSION PLANS – DEFINED BENEFIT (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability:			
Police Pension Plan	<u>\$ 36,693,484</u>	<u>\$ 27,189,783</u>	<u>\$ 19,148,697</u>
Firemen Pension Plan	<u>\$ 50,352,255</u>	<u>\$ 41,374,859</u>	<u>\$ 33,695,499</u>
Nonuniformed Pension Plan	<u>\$ 4,210,211</u>	<u>\$ 3,269,415</u>	<u>\$ 2,455,028</u>

City's Recognition of the Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources

As allowed by GASB Statement No. 68, the City is reporting on its government-wide financial statements, its net pension liability, and related deferred outflows of resources and inflows of resources using information from the City's pension plans measured as of December 31, 2022. The City's pension plans' total pension liability as of December 31, 2022, was \$189,772,384, less the City pension plans' fiduciary net position of \$117,939,420, resulting in a net pension liability of \$71,834,057 at December 31, 2022. Accordingly, as of December 31, 2022, the City reported a net pension liability in the government-wide statement of net position. For the year ended December 31, 2022, the City recognized net pension expense of approximately \$6,983,778. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the City pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Expected and Actual Experience:		
Police Pension Plan	\$ -	\$ 995,096
Firemen Pension Plan	135,497	595,318
Nonuniformed Pension Plan	39,369	-
Change in Assumptions:		
Police Pension Plan	4,236,437	-
Firemen Pension Plan	4,992,986	-
Nonuniformed Pension Plan	280,032	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments:		
Police Pension Plan	8,890,205	-
Firemen Pension Plan	7,187,831	-
Nonuniformed Pension Plan	1,064,673	-
Total	<u>\$ 26,827,030</u>	<u>\$ 1,590,414</u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 PENSION PLANS – DEFINED BENEFIT (CONTINUED)

City’s Recognition of the Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources (Continued)

Amounts reported as deferred outflows (inflows) of resources will be recognized in the pension expense as follows:

<u>Year Ending December 31.</u>	<u>Police Pension Plan</u>	<u>Firemen Pension Plan</u>	<u>Nonuniformed Pension Plan</u>
2023	\$ 1,875,893	\$ 2,373,297	\$ 219,922
2024	2,881,001	3,128,417	315,235
2025	3,709,832	3,594,926	426,742
2026	3,664,820	2,624,356	422,175
2027	-	-	-
Total	<u>\$ 12,131,546</u>	<u>\$ 11,720,996</u>	<u>\$ 1,384,074</u>

NOTE 14 PENSION PLAN – DEFINED CONTRIBUTION

The City contributes to a union sponsored multiemployer plan for certain employees. The plan is not administered by the City and contributions are determined in accordance with labor contracts. For the year ended December 31, 2022, the City contributed \$566,271 to this plan.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City sponsors three Health and Welfare Plans (the H&W Plans). The H&W Plans are single-employer defined benefit healthcare plans administered by the City as another postemployment benefit plan (OPEB). The H&W Plans provide medical coverage to eligible retirees and their dependents who meet specific criteria.

Under the police, firemen, and clerical labor contracts, the City is responsible for providing health insurance to retirees and spouses for the remainder of their lives if the employee was hired or retired prior to December 31, 1993. Employees hired after December 31, 1993, are not eligible for these benefits. The City's contribution for retiree health insurance is equal to the cost in effect in 1993 plus 75% of any increase above that cost. The retiree pays the other 25%.

Under the public works labor contract, the City will provide health insurance to retirees and spouses only from age 62 to 65. The City's contribution is equal to the cost in effect in 1994 plus 75% of any increase above those costs. The retiree pays the other 25%.

Plan Membership

The following employees were covered by the benefit terms at December 31:

	<u>Police Health and Welfare Plan</u>	<u>Firemen Health and Welfare Plan</u>	<u>Nonuniformed Health and Welfare Plan</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	177	203	111
Inactive Employees or Beneficiaries Currently Receiving Benefits	-	-	-
Active Plan Members	<u>138</u>	<u>136</u>	<u>182</u>
Total	<u><u>315</u></u>	<u><u>339</u></u>	<u><u>293</u></u>

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. In December 2022, Council adopted a resolution authorizing the allocation of \$2 million to establish another postemployment benefit plan trust. As of December 31, 2022, the City has not appointed an investment advisor or executed the Custodian Agreement.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using a discount rate and healthcare trend rate that is one-percentage-point lower, and one-percentage-point higher than the current discount rate and healthcare cost trend rate, respectively:

	<u>1% Decrease (3.31%)</u>	<u>Current Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Other Postemployment Benefits Liability:			
Police Pension Plan	<u>\$ 80,884,381</u>	<u>\$ 72,886,416</u>	<u>\$ 66,053,122</u>
Firemen Pension Plan	<u>\$ 64,642,782</u>	<u>\$ 58,749,177</u>	<u>\$ 53,692,713</u>
Nonuniformed Pension Plan	<u>\$ 27,681,569</u>	<u>\$ 25,521,924</u>	<u>\$ 23,651,404</u>
		Current Health Care Cost Trend Rates	
	<u>1% Decrease</u>	<u>(5.0%)</u>	<u>1% Increase</u>
Other Postemployment Benefits Liability:			
Police Pension Plan	<u>\$ 65,040,800</u>	<u>\$ 72,886,416</u>	<u>\$ 82,091,560</u>
Firemen Pension Plan	<u>\$ 53,136,222</u>	<u>\$ 58,749,177</u>	<u>\$ 65,290,139</u>
Nonuniformed Pension Plan	<u>\$ 23,341,004</u>	<u>\$ 25,521,924</u>	<u>\$ 27,999,567</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Expected and Actual Experience:		
Police Other Postemployment Benefits	\$ -	\$ 6,815,434
Firemen Other Postemployment Benefits	-	5,510,668
Nonuniformed Other Postemployment Benefits	38,138	29,224
Change in Assumptions:		
Police Pension Plan	5,338,960	18,210,682
Firemen Pension Plan	2,398,603	20,525,301
Nonuniformed Pension Plan	1,307,389	6,106,907
Total	<u>\$ 9,083,090</u>	<u>\$ 57,198,216</u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(Continued)**

Amounts reported as deferred outflows (inflows) of resources will be recognized in the health insurance expense as follows:

<u>Year Ending December 31,</u>	<u>Police Other Postemployment Benefits</u>	<u>Firemen Other Postemployment Benefits</u>	<u>Nonuniformed Other Postemployment Benefits</u>
2023	\$ (4,004,880)	\$ (3,556,888)	\$ (270,175)
2024	(5,111,210)	(5,955,491)	(1,083,004)
2025	(6,757,074)	(5,955,491)	(1,315,672)
2026	(3,813,992)	(5,955,493)	(1,315,674)
2027	-	(2,214,003)	(806,079)
Total	<u>\$ (19,687,156)</u>	<u>\$ (23,637,366)</u>	<u>\$ (4,790,604)</u>

NOTE 16 FUND BALANCE

The following is a summary of the governmental fund balances of the City at December 31:

General Fund:	
Restricted:	
Employee Health Care	\$ 578,993
Assigned	-
Unassigned	<u>25,059,655</u>
Total General Fund	25,638,648
Office of Economic and Community Development Fund:	
Restricted:	
Community Development	2,389,935
Special Cities Fund:	
Restricted:	
Other Externally Imposed Restrictions	3,893,586
Unassigned	<u>-</u>
Total Special Cities Fund	3,893,586
American Rescue Plan Act Fund:	
Unassigned	(507,817)
Nonmajor Funds:	
Nonspendable:	
Property Held for Resale	96,769
Restricted:	
Roads and Streets	2,409,079
Other Externally Imposed Restrictions	492,578
Unassigned	<u>(498,252)</u>
Total Nonmajor Funds	2,500,174
Total Governmental Funds Balance	<u>\$ 33,914,526</u>

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 17 CREDIT AND MARKET RISK

The City uses its authority to levy certain general purpose taxes. Major taxing revenue sources include real estate, earned income, mercantile, and business privilege taxes. These taxes account for approximately 85.3% of the total taxes collected by the City in 2022. Although the City has a diversified taxing base, its citizens' ability to honor their taxing obligations is substantially dependent upon the general economic condition of the region. The market value of the City's investments is subject to fluctuations in the prevailing market prices of those investments.

NOTE 18 RELATED PARTY TRANSACTIONS

The City paid \$890,136 to the Single Tax Office to subsidize certain operating costs of this entity. The Single Tax Office collected approximately \$43,919,255 of tax revenues on behalf of the City in 2022.

NOTE 19 COMMITMENTS AND CONTINGENCIES

Litigation

The City is named as a party in various legal proceedings and investigations that occur in the normal course of governmental operations. Although the ultimate outcome of these legal proceedings and investigations is unknown, the City is vigorously defending its position in each case.

Collective Bargaining Agreements

Substantially all of the City's nonmanagement employees are covered by collective bargaining agreements between the City and various unions.

NOTE 20 TAX ABATEMENTS

As of December 31, 2022, the City provides tax abatements through a Local Economic Revitalization Tax Assistance (LERTA) program. The City established a local LERTA to provide property tax abatements that encourage revitalization of existing land and buildings on all residential, commercial, and industrial properties located within the City.

LERTA approved projects will receive a 10-year, 100% tax abatement on owner improvements to properties within the City. The exemption will begin in the year immediately following the year in which the building permit is issued. Tax exemption applies to the improvements to the land or building only and are subject to standard tax rates and terms. For the year ended December 31, 2022, the City was not able to determine the amount of taxes abated.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 21 SEWER AUTHORITY

During the year ended December 31, 2016, the Sewer Authority was sold to Pennsylvania American Water Company (PAWC) for \$195,000,000. The City received \$66,519,986 as part of the sale in addition to escrow deposits and wind-down funds held back of \$17,840,000, which are held by a third party. \$67,065,588 was used to pay off the defeased Sewer Authority debt, and the Borough of Dunmore, Pennsylvania, (Dunmore) received \$16,626,366 for their share of the sale and \$4,460,000 of escrow deposits.

As part of the agreement, the City agreed to assume certain liabilities which were estimated to be less than the escrow deposit. However, if certain liabilities exceed the escrow deposits, the City would be liable for its proportionate share. Management believes that the escrow will be sufficient to extinguish all liabilities. Additionally, the City agreed to share in the upkeep of certain storm water assets with the seller and Dunmore. Management believes such upkeep will be de minimis to the City.

NOTE 22 SUBSEQUENT EVENTS

In January 2023, the City issued a tax anticipation note in the amount of \$4,900,000. The note requires monthly interest payments at 3.75% through December 31, 2023, the maturity date of the loan.

CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION PLAN
LAST NINE FISCAL YEARS*
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service Cost	\$ 1,199,704	\$ 1,148,042	\$ 1,166,860	\$ 1,116,612	\$ 1,109,820	\$ 1,062,029	\$ 1,300,741	\$ 1,238,801	\$ 1,093,805
Interest	6,155,559	6,041,782	5,593,207	5,502,284	5,569,195	5,475,400	7,797,729	7,519,247	7,050,809
Differences Between Expected and Actual Experience	-	(855,617)	-	(1,580,091)	-	(7,477,628)	-	(218,430)	-
Changes in Assumptions	-	5,847,205	-	1,864,184	-	(20,511,936)	-	3,149,169	-
Benefit Payments, Including Refunds of Member Contributions	(5,749,072)	(5,595,212)	(5,495,991)	(5,334,064)	(5,330,467)	(5,338,761)	(5,334,183)	(5,343,755)	(5,385,944)
Net Change in Total Pension Liability	1,606,191	6,586,200	1,264,076	1,568,925	1,348,548	(26,790,896)	3,764,287	6,345,032	2,758,670
Total Pension Liability - Beginning	86,579,099	79,992,899	78,728,823	77,159,898	75,811,350	102,602,246	98,837,959	92,492,927	89,734,257
Total Pension Liability - Ending (A)	<u>\$ 88,185,290</u>	<u>\$ 86,579,099</u>	<u>\$ 79,992,899</u>	<u>\$ 78,728,823</u>	<u>\$ 77,159,898</u>	<u>\$ 75,811,350</u>	<u>\$ 102,602,246</u>	<u>\$ 98,837,959</u>	<u>\$ 92,492,927</u>
Plan Fiduciary Net Position:									
Contributions - Employer	\$ 3,302,127	\$ 2,816,730	\$ 2,563,526	\$ 2,100,737	\$ 12,903,789	\$ 6,647,833	\$ 5,006,025	\$ 4,041,361	\$ 3,975,175
Contributions - State Aid	1,788,053	1,490,084	1,600,420	1,757,264	1,522,058	1,348,946	1,268,647	1,129,200	1,107,586
Contributions - Member	653,257	650,747	654,294	652,255	643,578	645,078	754,378	420,859	350,984
Net Investment Income	(11,125,096)	6,967,540	8,415,913	8,676,068	(1,841,689)	4,364,702	2,556,892	115,460	1,754,307
Benefit Payments, Including Refunds of Member Contributions	(5,749,072)	(5,595,212)	(5,495,991)	(5,332,669)	(5,330,472)	(5,338,761)	(5,334,183)	(5,343,755)	(5,385,989)
Administrative Expense	(43,672)	(46,147)	(44,836)	(52,225)	(48,449)	(64,224)	(56,185)	(42,686)	(44,009)
Net Change in Plan Fiduciary Net Position	(11,174,403)	6,283,742	7,693,326	7,801,430	7,848,815	7,603,574	4,195,574	320,439	1,758,054
Plan Fiduciary Net Position - Beginning	72,169,910	65,886,168	58,192,842	50,391,412	42,542,597	34,939,023	30,743,449	30,423,010	28,664,956
Plan Fiduciary Net Position - Ending (B)	<u>\$ 60,995,507</u>	<u>\$ 72,169,910</u>	<u>\$ 65,886,168</u>	<u>\$ 58,192,842</u>	<u>\$ 50,391,412</u>	<u>\$ 42,542,597</u>	<u>\$ 34,939,023</u>	<u>\$ 30,743,449</u>	<u>\$ 30,423,010</u>
Plan's Net Pension Liability (A) - (B)	<u>\$ 27,189,783</u>	<u>\$ 14,409,189</u>	<u>\$ 14,106,731</u>	<u>\$ 20,535,981</u>	<u>\$ 26,768,486</u>	<u>\$ 33,268,753</u>	<u>\$ 67,663,223</u>	<u>\$ 68,094,510</u>	<u>\$ 62,069,917</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.2 %	83.4 %	82.4 %	73.9 %	65.3 %	56.1 %	34.1 %	31.1 %	32.9 %
Covered-Employee Payroll	\$ 11,000,000	\$ 11,500,000	\$ 12,800,000	\$ 11,000,000	\$ 10,800,000	\$ 11,000,000	\$ 10,100,000	\$ 9,700,000	\$ 8,700,000
Plan's Net Pension Liability as a Percentage of Covered-Employee Payroll	247.2 %	125.3 %	110.2 %	186.7 %	247.9 %	302.4 %	669.9 %	702.0 %	713.4 %

Notes to Schedule:

Assumption Changes:

In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA.

In 2017, the interest rate assumption was changed from 8.0% to 7.5% per annum, salary rates changed from 5.0% to 4.5%, and the cost of living adjustment assumption was removed.

In 2019, the interest rate assumption was decreased from 7.5% to 7.25%.

In 2021, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2017 using Scale AA to the Puks-2010.

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

See accompanying Notes to Required Supplementary Information.

CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FIREMEN PENSION PLAN
LAST NINE FISCAL YEARS*
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service Cost	\$ 1,079,830	\$ 1,033,330	\$ 1,022,441	\$ 978,412	\$ 985,136	\$ 942,714	\$ 998,710	\$ 951,152	\$ 877,594
Interest	6,374,425	6,318,173	5,841,596	5,818,493	5,842,733	5,826,106	8,107,968	7,914,310	7,523,591
Differences Between Expected and Actual Experience	-	(989,568)	-	357,621	-	(3,178,426)	-	(784,286)	-
Changes in Assumptions	-	7,178,923	-	1,779,419	-	(23,063,685)	-	3,694,635	-
Benefit Payments, Including Refunds of Member Contributions	(6,786,124)	(6,458,121)	(6,523,487)	(6,521,054)	(6,691,385)	(6,487,711)	(6,465,804)	(6,518,785)	(6,483,409)
Net Change in Total Pension Liability	668,131	7,082,737	340,550	2,412,891	136,484	(25,961,002)	2,640,874	5,257,026	1,917,776
Total Pension Liability - Beginning	90,236,329	83,153,592	82,813,042	80,400,151	80,263,667	106,224,669	103,583,795	98,326,769	96,408,993
Total Pension Liability - Ending (A)	<u>\$ 90,904,460</u>	<u>\$ 90,236,329</u>	<u>\$ 83,153,592</u>	<u>\$ 82,813,042</u>	<u>\$ 80,400,151</u>	<u>\$ 80,263,667</u>	<u>\$ 106,224,669</u>	<u>\$ 103,583,795</u>	<u>\$ 98,326,769</u>
Plan Fiduciary Net Position:									
Contributions - Employer	\$ 7,444,849	\$ 6,059,035	\$ 4,786,111	\$ 4,242,540	\$ 14,893,060	\$ 8,262,627	\$ 6,087,485	\$ 5,011,978	\$ 4,928,939
Contributions - State Aid	1,684,444	1,394,139	1,501,944	1,542,204	1,400,263	1,238,828	1,023,667	1,011,575	1,006,897
Contributions - Member	668,685	669,496	642,137	643,576	603,523	612,845	751,112	378,642	325,302
Net Investment Income	(9,026,236)	5,366,028	6,208,454	6,269,069	(1,314,210)	2,792,721	1,522,810	67,227	1,031,379
Benefit Payments, Including Refunds of Member Contributions	(6,786,124)	(6,458,121)	(6,523,487)	(6,521,054)	(6,691,385)	(6,487,711)	(6,465,804)	(6,518,785)	(6,483,409)
Administrative Expense	(43,860)	(49,191)	(45,005)	(50,615)	(46,409)	(57,437)	(48,494)	(42,078)	(50,368)
Net Change in Plan Fiduciary Net Position	(6,058,242)	6,981,386	6,570,154	6,125,720	8,844,842	6,361,873	2,870,776	(91,441)	758,740
Plan Fiduciary Net Position - Beginning	55,587,843	48,606,457	42,036,303	35,910,583	27,065,741	20,703,868	17,833,092	17,924,533	17,165,793
Plan Fiduciary Net Position - Ending (B)	<u>\$ 49,529,601</u>	<u>\$ 55,587,843</u>	<u>\$ 48,606,457</u>	<u>\$ 42,036,303</u>	<u>\$ 35,910,583</u>	<u>\$ 27,065,741</u>	<u>\$ 20,703,868</u>	<u>\$ 17,833,092</u>	<u>\$ 17,924,533</u>
Plan's Net Pension Liability (A) - (B)	<u>\$ 41,374,859</u>	<u>\$ 34,648,486</u>	<u>\$ 34,547,135</u>	<u>\$ 40,776,739</u>	<u>\$ 44,489,568</u>	<u>\$ 53,197,926</u>	<u>\$ 85,520,801</u>	<u>\$ 85,750,703</u>	<u>\$ 80,402,236</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.5 %	61.6 %	58.5 %	50.8 %	44.7 %	33.7 %	19.5 %	17.2 %	18.2 %
Covered-Employee Payroll	\$ 11,500,000	\$ 11,000,000	\$ 11,800,000	\$ 10,700,000	\$ 10,500,000	\$ 10,500,000	\$ 9,100,000	\$ 9,000,000	\$ 7,800,000
Plan's Net Pension Liability as a Percentage of Covered-Employee Payroll	359.8 %	315.0 %	292.8 %	381.1 %	423.7 %	506.6 %	939.8 %	952.8 %	1,030.8 %

Notes to Schedule:

Assumption Changes:

In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA.

In 2017, the interest rate assumption was changed from 8.0% to 7.5% per annum, salary rates changed from 5.0% to 4.5%, and the cost of living adjustment assumption was removed.

In 2019, the interest rate assumption was decreased from 7.5% to 7.25%.

In 2021, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2017 using Scale AA to the Puks-2010.

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

See accompanying Notes to Required Supplementary Information.

CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
NONUNIFORMED PENSION PLAN
LAST NINE FISCAL YEARS*
(UNAUDITED)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service Cost	\$ 76,015	\$ 72,742	\$ 75,250	\$ 72,010	\$ 78,810	\$ 75,416	\$ 82,437	\$ 78,511	\$ 81,737
Interest	754,473	761,996	735,818	738,607	747,109	747,856	954,145	954,216	937,975
Differences Between Expected and Actual Experience	-	60,058	-	13,053	-	(2,557,705)	-	13,368	-
Changes in Assumptions	-	395,975	-	215,631	-	498,678	-	267,267	-
Benefit Payments, Including Refunds of Member Contributions	(956,719)	(926,835)	(880,218)	(824,422)	(818,735)	(854,513)	(997,346)	(1,077,747)	(1,110,468)
Net Change in Total Pension Liability	(126,231)	363,936	(69,150)	214,879	7,184	(2,090,268)	39,236	235,615	(90,756)
Total Pension Liability - Beginning	10,808,865	10,444,929	10,514,079	10,299,200	10,292,016	12,382,284	12,343,048	12,107,433	12,198,189
Total Pension Liability - Ending (A)	<u>\$ 10,682,634</u>	<u>\$ 10,808,865</u>	<u>\$ 10,444,929</u>	<u>\$ 10,514,079</u>	<u>\$ 10,299,200</u>	<u>\$ 10,292,016</u>	<u>\$ 12,382,284</u>	<u>\$ 12,343,048</u>	<u>\$ 12,107,433</u>
Plan Fiduciary Net Position:									
Contributions - Employer	\$ -	\$ -	\$ -	\$ -	\$ 2,307,517	\$ 276,383	\$ 43,056	\$ 245,284	\$ 271,319
Contributions - State Aid	609,700	708,942	821,931	679,159	759,299	1,036,945	979,014	862,584	836,499
Contributions - Member	36,539	48,744	33,686	41,916	42,478	35,253	36,606	37,141	37,752
Net Investment Income	(1,352,682)	880,418	1,080,031	1,110,568	(238,160)	470,219	270,237	12,956	200,183
Benefit Payments, Including Refunds of Member Contributions	(956,719)	(926,835)	(880,218)	(824,422)	(818,735)	(854,513)	(997,346)	(1,077,747)	(1,110,468)
Administrative Expense	(42,766)	(47,430)	(49,511)	(67,831)	(66,719)	(111,870)	(109,478)	(92,284)	(48,723)
Net Change in Plan Fiduciary Net Position	(1,705,928)	663,839	1,005,919	939,390	1,985,680	852,417	222,089	(12,066)	186,562
Plan Fiduciary Net Position - Beginning	9,119,147	8,455,308	7,449,389	6,509,999	4,524,319	3,671,902	3,449,813	3,461,879	3,275,317
Plan Fiduciary Net Position - Ending (B)	<u>\$ 7,413,219</u>	<u>\$ 9,119,147</u>	<u>\$ 8,455,308</u>	<u>\$ 7,449,389</u>	<u>\$ 6,509,999</u>	<u>\$ 4,524,319</u>	<u>\$ 3,671,902</u>	<u>\$ 3,449,813</u>	<u>\$ 3,461,879</u>
Plan's Net Pension Liability (A) - (B)	<u>\$ 3,269,415</u>	<u>\$ 1,689,718</u>	<u>\$ 1,989,621</u>	<u>\$ 3,064,690</u>	<u>\$ 3,789,201</u>	<u>\$ 5,767,697</u>	<u>\$ 8,710,382</u>	<u>\$ 8,893,235</u>	<u>\$ 8,645,554</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.4 %	84.4 %	81.0 %	70.9 %	63.2 %	44.0 %	29.7 %	27.9 %	28.6 %
Covered-Employee Payroll	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 5,900,000	\$ 5,800,000	\$ 5,800,000	\$ 5,400,000	\$ 5,300,000	\$ 5,300,000
Plan's Net Pension Liability as a Percentage of Covered-Employee Payroll	54.5 %	28.2 %	33.2 %	51.9 %	65.3 %	99.4 %	161.3 %	167.8 %	163.1 %

Notes to Schedule:

Assumption Changes:

In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA.

In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 to the RP-2000 Table projected to 2017 using Scale AA.

In 2017, the interest rate assumption was changed from 8.0% to 7.5% per annum, and salary rates changed from 5.0% to 4.5%.

In 2019, the interest rate assumption was decreased from 7.5% to 7.25%.

In 2021, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2017 using Scale AA to the Puks-2010.

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

See accompanying Notes to Required Supplementary Information.

**CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF CITY CONTRIBUTIONS
PENSION PLANS
LAST NINE FISCAL YEARS*
(UNAUDITED)**

	2022	2021	2020	2019	2018*	2017	2016	2015	2014
Police Pension Plan:									
Actuarially Determined Contribution	\$ 5,090,180	\$ 4,306,814	\$ 4,163,946	\$ 3,858,001	\$ 4,042,020	\$ 7,996,779	\$ 6,274,672	\$ 5,170,561	\$ 5,082,761
Contributions in Relation to the Actuarially Determined Contribution	<u>5,090,180</u>	<u>4,306,814</u>	<u>4,163,946</u>	<u>3,858,001</u>	<u>4,042,020</u>	<u>7,996,779</u>	<u>6,274,672</u>	<u>5,170,561</u>	<u>5,082,761</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 11,000,000	\$ 11,500,000	\$ 12,800,000	\$ 11,000,000	\$ 10,800,000	\$ 11,000,000	\$ 10,100,000	\$ 9,700,000	\$ 8,700,000
Contributions as a Percentage of Covered-Employee Payroll	46.3 %	37.5 %	32.5 %	35.1 %	37.4 %	72.7 %	62.1 %	53.3 %	58.4 %
Firemen Pension Plan:									
Actuarially Determined Contribution	\$ 9,129,293	\$ 7,453,174	\$ 6,288,055	\$ 5,784,744	\$ 5,909,496	\$ 9,501,455	\$ 7,111,152	\$ 6,023,553	\$ 5,935,833
Contributions in Relation to the Actuarially Determined Contribution	<u>9,129,293</u>	<u>7,453,174</u>	<u>6,288,055</u>	<u>5,784,744</u>	<u>5,909,496</u>	<u>9,501,455</u>	<u>7,111,152</u>	<u>623,553</u>	<u>5,935,833</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,400,000</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 11,500,000	\$ 11,000,000	\$ 11,800,000	\$ 10,700,000	\$ 10,500,000	\$ 10,500,000	\$ 9,100,000	\$ 9,000,000	\$ 7,800,000
Contributions as a Percentage of Covered-Employee Payroll	79.4 %	67.8 %	53.3 %	54.1 %	56.3 %	90.5 %	78.1 %	6.9 %	76.1 %
Nonuniformed Pension Plan:									
Actuarially Determined Contribution	\$ 609,700	\$ 708,942	\$ 821,931	\$ 679,159	\$ 754,924	\$ 1,313,328	\$ 1,014,228	\$ 1,107,868	\$ 1,107,818
Contributions in Relation to the Actuarially Determined Contribution	<u>609,700</u>	<u>708,942</u>	<u>821,931</u>	<u>679,159</u>	<u>754,924</u>	<u>1,313,328</u>	<u>1,014,228</u>	<u>1,107,868</u>	<u>1,107,818</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 5,900,000	\$ 5,800,000	\$ 5,800,000	\$ 5,400,000	\$ 5,300,000	\$ 5,300,000
Contributions as a Percentage of Covered-Employee Payroll	10.2 %	11.8 %	13.7 %	11.5 %	13.0 %	22.6 %	18.8 %	20.9 %	20.9 %

*Excludes bond proceeds of \$10,383,827 deposited on December 17, 2018, and December 20, 2018.

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

See accompanying Notes to Required Supplementary Information.

CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
POLICE OPEB PLAN
LAST SIX FISCAL YEARS*
(UNAUDITED)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:						
Service Cost	\$ 2,546,325	\$ 2,600,985	\$ 2,687,694	\$ 1,936,823	\$ 1,944,712	\$ 1,860,968
Interest	2,059,720	1,840,332	2,004,096	2,831,526	3,355,732	3,282,304
Differences Between Expected and Actual Experience	-	(9,790,880)	-	(8,339,434)	-	-
Changes in Assumptions	(19,069,956)	(4,924,527)	14,587,586	4,056,383	-	-
Benefit Payments, Including Refunds of Member Contributions	(3,274,684)	(3,273,969)	(3,340,413)	(3,442,579)	(3,301,054)	(3,236,828)
Net Change in Total OPEB Liability	(17,738,595)	(13,548,059)	15,938,963	(2,957,281)	1,999,390	1,906,444
Total OPEB Liability - Beginning	90,625,011	104,173,070	88,234,107	91,191,388	89,191,998	87,285,554
Total OPEB Liability - Ending	<u>\$ 72,886,416</u>	<u>\$ 90,625,011</u>	<u>\$ 104,173,070</u>	<u>\$ 88,234,107</u>	<u>\$ 91,191,388</u>	<u>\$ 89,191,998</u>
Covered-Employee Payroll*	\$ 13,575,120	\$ 12,990,545	\$ 11,400,222	\$ 10,909,303	\$ 11,131,665	\$ 10,652,311
Total OPEB Liability as a Percentage of Covered-Employee Payroll	536.9 %	697.6 %	913.8 %	808.8 %	819.2 %	837.3 %

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

See accompanying Notes to Required Supplementary Information.

CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
FIREMEN OPEB PLAN
LAST SIX FISCAL YEARS*
(UNAUDITED)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:						
Service Cost	\$ 1,638,703	\$ 2,263,507	\$ 2,314,654	\$ 1,683,383	\$ 1,667,677	\$ 1,595,863
Interest	1,630,716	1,690,356	1,857,665	2,715,315	3,157,210	3,134,550
Differences Between Expected and Actual Experience	-	(8,266,002)	-	(4,441,610)	-	-
Changes in Assumptions	(13,284,028)	(14,182,916)	12,307,456	3,418,670	-	-
Benefit Payments, Including Refunds of Member Contributions	<u>(4,124,627)</u>	<u>(4,383,517)</u>	<u>(4,685,544)</u>	<u>(4,581,447)</u>	<u>(4,342,091)</u>	<u>(4,053,806)</u>
Net Change in Total OPEB Liability	<u>(14,139,236)</u>	<u>(22,878,572)</u>	<u>11,794,231</u>	<u>(1,205,689)</u>	<u>482,796</u>	<u>676,607</u>
Total OPEB Liability - Beginning	<u>72,888,413</u>	<u>95,766,985</u>	<u>83,972,754</u>	<u>85,178,443</u>	<u>84,695,647</u>	<u>84,019,040</u>
Total OPEB Liability - Ending	<u>\$ 58,749,177</u>	<u>\$ 72,888,413</u>	<u>\$ 95,766,985</u>	<u>\$ 83,972,754</u>	<u>\$ 85,178,443</u>	<u>\$ 84,695,647</u>
Covered-Employee Payroll	\$ 12,984,720	\$ 12,425,569	\$ 10,924,838	\$ 10,454,391	\$ 10,779,911	\$ 10,315,704
Total OPEB Liability as a Percentage of Covered-Employee Payroll	452.4 %	586.6 %	876.6 %	803.2 %	790.2 %	821.0 %

See accompanying Notes to Required Supplementary Information.

CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
NONUNIFORMED OPEB PLAN
LAST SIX FISCAL YEARS*
(UNAUDITED)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:						
Service Cost	\$ 114,414	\$ 129,698	\$ 196,958	\$ 135,277	\$ 176,021	\$ 168,441
Interest	694,307	688,202	714,581	1,092,334	1,253,361	1,275,585
Changes in Benefit Terms	-	(113,000)	-	-	-	-
Differences Between Expected and Actual Experience	-	57,208	-	(531,108)	-	-
Changes in Assumptions	(4,836,464)	(3,114,780)	4,228,708	1,375,995	-	-
Benefit Payments, Including Refunds of Member Contributions	(2,374,805)	(2,376,854)	(2,171,033)	(2,035,663)	(2,056,734)	(2,031,766)
Net Change in Total OPEB Liability	(6,402,548)	(4,729,526)	2,969,214	36,835	(627,352)	(587,740)
Total OPEB Liability - Beginning	31,924,472	36,653,998	33,684,784	33,647,949	34,275,301	34,863,041
Total OPEB Liability - Ending	<u>\$ 25,521,924</u>	<u>\$ 31,924,472</u>	<u>\$ 36,653,998</u>	<u>\$ 33,684,784</u>	<u>\$ 33,647,949</u>	<u>\$ 34,275,301</u>
 Covered-Employee Payroll	 \$ 8,352,390	 \$ 7,992,718	 \$ 8,491,766	 \$ 8,126,092	 \$ 8,750,292	 \$ 8,373,485
 Total OPEB Liability as a Percentage of Covered-Employee Payroll	 305.6 %	 399.4 %	 431.6 %	 414.5 %	 384.5 %	 409.3 %

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

See accompanying Notes to Required Supplementary Information.

CITY OF SCRANTON, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

NOTE 1 POLICE, FIREMEN, AND NONUNIFORMED PENSION PLANS ACTUARIAL ASSUMPTIONS

Valuation Date	January 1, 2021
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Method:	
Police Pension Plan	10 Years
Firemen Pension Plan	16 Years
Nonuniformed Pension Plan	5 Years
Asset Valuation Method	Market Value
Inflation	2.25%
Salary Increases	4.50%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expense Including Inflation
Retirement Age:	
Police Pension Plan:	
Normal Retirement:	
Pre-July 1, 1987,	Employee 25 Years of Service
Post-June 30, 1987	Age 55 and 25 Years of Service
Vesting	25 Years of Service
Firemen Pension Plan:	
Normal Retirement:	Pre-July 1, 1987, Employee 25 Years of Service
Pre-July 1, 1987	Employee 25 Years of Service
Post-June 30, 1987	Age 55 and 25 Years of Service
Vesting	25 Years of Service
Nonuniformed Pension Plan:	
Normal Retirement	Age 55, 15 Years of Service, and 20 Years of Contributions
Early Retirement	Age 55, 10 Years of Service, and 20 Years of Contributions
Vesting	10 Years of Service
Mortality:	
Police Pension Plan	PUBS-2010 Mortality Table
Firemen Pension Plan	PUBS-2010 Mortality Table
Nonuniformed Pension Plan	PUBS-2010 Mortality Table

CITY OF SCRANTON, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

NOTE 2 POLICE, FIREMEN, AND NONUNIFORMED OPEB PLANS ACTUARIAL ASSUMPTIONS

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Asset Valuation Method	5 Year Smoothing Method Described in IRS Revenue Procedure 2000-40, Approval 16
Inflation	2.24%
Salary Increases	4.50%
Investment Rate of Return	There are no invested assets.
Discount Rate	2.25%

CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUE				
Taxes	\$ 75,512,846	\$ 78,379,451	\$ 82,364,813	\$ 3,985,362
Intergovernmental	5,035,153	4,185,153	5,040,513	855,360
Departmental Earnings	744,500	744,500	215,300	(529,200)
Refuse Disposal Fees	8,000,000	8,500,000	8,482,860	(17,140)
Licenses and Permits	2,639,077	2,938,814	3,298,167	359,353
Cable Television Franchise Revenue	5,182,528	1,410,200	1,038,365	(371,835)
Payments in Lieu of Taxes	300,000	300,000	280,003	(19,997)
Program Income	40,000	40,000	380,871	340,871
Rents and Concessions	1,000	1,000	14,500	13,500
Investment Income	75,000	75,000	102,238	27,238
Other Revenues	-	-	214,711	214,711
Total Revenue	<u>97,530,104</u>	<u>96,574,118</u>	<u>101,432,341</u>	<u>4,858,223</u>
EXPENDITURES				
General Government	18,487,866	18,843,750	16,107,562	(2,736,188)
Public Safety	56,945,071	55,868,259	54,175,902	(1,692,357)
Public Works	17,080,553	16,704,340	15,319,247	(1,385,093)
Culture and Recreation	1,048,028	988,903	812,750	(176,153)
Debt Service Payments	11,881,006	11,881,006	11,479,639	(401,367)
Capital Outlay	1,500,000	1,500,000	299,513	(1,200,487)
Total Expenditures	<u>106,942,524</u>	<u>105,786,258</u>	<u>98,194,613</u>	<u>(7,591,645)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(9,412,420)	(9,212,140)	3,237,728	12,449,868
OTHER FINANCING SOURCES (USES)				
Proceeds from Tax Anticipation Notes	10,000,000	10,000,000	10,000,000	-
Proceeds from Leases	-	-	166,767	166,767
Proceeds from Financed Purchase Agreements	-	-	132,746	132,746
Repayments of Tax Anticipation Notes	(10,100,000)	(10,100,000)	(10,029,451)	70,549
Court Award	(1,000,000)	(1,000,000)	(680,553)	319,447
Operating Transfers In	9,398,901	9,468,206	691,191	(8,777,015)
Total Other Financing Sources (Uses)	<u>8,298,901</u>	<u>8,368,206</u>	<u>280,700</u>	<u>(8,087,506)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	\$ (1,113,519)	\$ (843,934)	\$ 3,518,428	\$ 4,362,362
Fund Balance - Beginning of Year	<u>22,120,220</u>	<u>22,120,220</u>	<u>22,120,220</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 21,006,701</u>	<u>\$ 21,276,286</u>	<u>\$ 25,638,648</u>	<u>\$ 4,362,362</u>

**CITY OF SCRANTON, PENNSYLVANIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(UNAUDITED)**

ASSETS	<u>Liquid Fuels</u>	<u>Redevelopment Authority</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and Cash Equivalents	\$ 2,409,079	\$ 539,367	\$ 2,948,446
Prepaid Expense	-	18,096	18,096
Restricted Cash and Cash Equivalents	-	-	-
Property Held for Resale	-	96,769	96,769
Notes Receivable, Net	-	925,000	925,000
	<hr/>	<hr/>	<hr/>
Total Assets	2,409,079	1,579,232	3,988,311
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accrued Liabilities	-	1,650	1,650
Due to Other Governments	-	561,487	561,487
Total Liabilities	<hr/>	<hr/>	<hr/>
	-	563,137	563,137
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Notes Receivable	-	925,000	925,000
 FUND BALANCE			
Nonspendable	-	96,769	96,769
Restricted for Externally Imposed Restrictions	2,409,079	492,578	2,901,657
Assigned	-	-	-
Unassigned	-	(498,252)	(498,252)
Total Fund Balance	<hr/>	<hr/>	<hr/>
	2,409,079	91,095	2,500,174
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 2,409,079	\$ 1,579,232	\$ 3,988,311

**CITY OF SCRANTON, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2022
 (UNAUDITED)**

	<u>Liquid Fuels</u>	<u>Redevelopment Authority</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 2,134,849	\$ 939,902	\$ 3,074,751
Interest Income	5,701	422	6,123
Other Revenues	-	12	12
Rents	-	3,935	3,935
Total Revenues	<u>2,140,550</u>	<u>944,271</u>	<u>3,084,821</u>
EXPENDITURES			
Current:			
Community Development	-	953,808	953,808
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>-</u>	<u>953,808</u>	<u>953,808</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,140,550	(9,537)	2,131,013
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	-	-
Operating Transfers Out	<u>(691,191)</u>	<u>-</u>	<u>(691,191)</u>
Total Other Financing Sources (Uses)	<u>(691,191)</u>	<u>-</u>	<u>(691,191)</u>
CHANGE IN FUND BALANCE	1,449,359	(9,537)	1,439,822
Fund Balance - Beginning of Year	<u>959,720</u>	<u>100,632</u>	<u>1,060,352</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,409,079</u>	<u>\$ 91,095</u>	<u>\$ 2,500,174</u>

**CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed through to Subrecipients
Department of Housing and Urban Development				
Direct Programs				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant/Entitlement Grants	14.218	B-17-MC-42-0205	\$ 9,236	\$ 3,094
Community Development Block Grant/Entitlement Grants	14.218	B-18-MC-42-0205	63,416	-
Community Development Block Grant/Entitlement Grants	14.218	B-19-MC-42-0205	568,433	-
Community Development Block Grant/Entitlement Grants	14.218	B-20-MC-42-0205	909,098	230,663
Community Development Block Grant/Entitlement Grants	14.218	B-21-MC-42-0205	1,307,719	138,850
Community Development Block Grant/Entitlement Grants	14.218	B-22-MC-42-0205	108,153	-
Covid-19 Community Development Block Grant/Entitlement Grants	14.218	B-20-MC-42-0014	985,419	89,535
Total CDBG - Entitlement Grants Cluster			<u>3,951,474</u>	<u>462,142</u>
HOME Investment Partnership Program	14.239	M-18-MC-42-0205	75,757	22,157
HOME Investment Partnership Program	14.239	M-19-MC-42-0205	1,300	-
HOME Investment Partnership Program	14.239	M-20-MC-42-0205	172,414	94,812
HOME Investment Partnership Program	14.239	M-21-MC-42-0205	500,404	-
HOME Investment Partnership Program	14.239	M-22-MC-42-0205	563,750	-
Total HOME Investment Partnership Program			<u>1,313,625</u>	<u>116,969</u>
Emergency Solutions Grant Program	14.231	E-20-MC-42-0014	92,639	92,639
Emergency Solutions Grant Program	14.231	E-21-MC-42-0014	109,512	-
Emergency Solutions Grant Program	14.231	E-22-MC-42-0014	44,562	-
Covid-19 Emergency Solutions Grant Program	14.231	E-20-MC-42-0014	90,764	90,764
Total Emergency Solutions Grant Program			<u>337,477</u>	<u>183,403</u>
Total Department of Housing and Urban Development Direct Programs			5,602,576	762,514
Department of Homeland Security				
Pass-Through Grant from Pennsylvania Department of Emergency Management:				
Fire Prevention Grant	97.044	DHS-20GPD-044-00-9	40,500	-
Department of Commerce Direct Program				
Economic Adjustment Assistance	11.307	Not Available	54,899	-
General Service Administration				
Pass-Through Grant from Pennsylvania Department of General Services:				
Donation of Federal Surplus Property Program	39.003	N/A	5,700	-
Department of the Treasury Direct Program				
Covid-19 State and Local Fiscal Recovery Funds	21.027	OMB 1505-0271	3,441,053	999,047
Total Expenditures of Federal Awards			<u>\$ 9,144,728</u>	<u>\$ 1,761,561</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Scranton, Pennsylvania, (the City) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in financial position of the City.

NOTE 2 REPORTING ENTITY

The accompanying Schedule presents the expenditures of all the federal award programs of the City. The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

NOTE 3 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 INDIRECT COSTS

The City has elected not to use the ten percent de minimis indirect cost rate. Indirect costs are allocated to programs based on applicable criteria relative to the federal program.

NOTE 5 ECONOMIC ADJUSTMENT ASSISTANCE (ALN 11.307)

During the year ended December 31, 1991, the City was awarded a \$600,000 Economic Adjustment Assistance grant from the U.S. Department of Commerce for the purpose of assisting businesses with economic development. EDA revolving loan fund (RLF) Grant 1 was matched \$200,000 at the City level.

Total Grant Awarded

	<u>Grant Amount</u>	<u>City Match</u>	<u>Total Grant Awarded</u>	<u>Federal Share</u>
EDA RLF Grant 1	\$ 600,000	\$ 200,000	\$ 800,000	75.00 %

**CITY OF SCRANTON, PENNSYLVANIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022**

NOTE 5 ECONOMIC ADJUSTMENT ASSISTANCE (ALN 11.307) (CONTINUED)

Federal Awards Expended

RLF Loans Outstanding - December 31, 2022	\$	24,868
Cash and Investment Balance in RLF - December 31, 2022		48,331
Administrative Expenses Paid from RLF Income During the Year Ended December 31, 2022		-
Unpaid Principal of All Loans Written Off During the Year Ended December 31, 2022		-
Total		73,199
Federal Share of The RLF		75%
Federal Awards Expended	\$	54,899



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members
City Council
City of Scranton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Scranton, Pennsylvania as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Scranton, Pennsylvania's basic financial statements, and have issued our report thereon dated December 15, 2023. Our report contains an adverse opinion on the aggregate discretely presented component units. Our report includes a reference to other auditors who audited the financial statements of the Redevelopment Authority of the City of Scranton as described in our report on City of Scranton, Pennsylvania's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Scranton, Pennsylvania's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness City of Scranton, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Scranton, Pennsylvania's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Honorable Mayor and Members
City Council
City of Scranton, Pennsylvania

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2022-001, 2022-002, 2022-003, 2022-004 and 2022-005 to be material weaknesses.

Report on Compliance and Other Matters

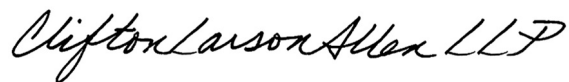
As part of obtaining reasonable assurance about whether City of Scranton, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Scranton, Pennsylvania's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
December 15, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Mayor and Members
City Council
City of Scranton, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Scranton, Pennsylvania's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Scranton, Pennsylvania's major federal programs for the year ended December 31, 2022. City of Scranton, Pennsylvania's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Scranton, Pennsylvania complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Scranton, Pennsylvania and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Scranton, Pennsylvania's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Scranton, Pennsylvania's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Scranton, Pennsylvania's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Scranton, Pennsylvania's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Scranton, Pennsylvania's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Scranton, Pennsylvania's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Scranton, Pennsylvania's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Honorable Mayor and Members
City Council
City of Scranton, Pennsylvania

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
December 15, 2023

**CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued:

<u>Reporting Entity</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Each Major Fund	Unmodified
Aggregate Discretely Presented Component Unit	Adverse
Aggregate Remaining Fund Information	Unmodified

2. Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

3. Noncompliance material to financial statements noted?

 yes X no

Federal Awards

1. Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

2. Type of auditors’ report issued on compliance for major federal programs:

Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes X no

Identification of Major Federal Programs

Assistance Listing Number(s)

Name of Federal Program or Cluster

14.239
21.027

HOME Investments Partnership Program
State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

**CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings

2022 – 001 – Financial Statement Departure from Accounting Principles Generally Accepted in the United States of America

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The financial statements do not include financial data for the City’s legally separate component unit, The Scranton Parking Authority, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City’s primary government.

Criteria or specific requirement: Generally accepted accounting principles require that the entire reporting entity be included within the financial statements.

Effect: The December 31, 2022 financial statements of the City contain an adverse opinion on its discretely presented component unit, the Scranton Parking Authority.

Cause: There is no finance function in place to ensure timely completion of financial statements for the Scranton Parking Authority.

Repeat Finding: This is a repeat finding from the prior year’s audit, finding 2021-001.

Recommendation: We recommend that the City obtain audited financial statements for its discretely presented component unit, the Scranton Parking Authority.

Views of responsible officials and planned corrective actions: No disagreement with the finding. See accompanying corrective action plan.

2022 – 002 – Financial Reporting – Year-End Closing Entries

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Material journal entries were proposed as a result of audit procedures to correct year-end balances and to properly record lease transactions.

Criteria or specific requirement: Internal controls over financial reporting should ensure that the financial activity and account balances of the City are recorded in accordance with U.S. GAAP.

Effect: The December 31, 2022 financial statements of the City were materially misstated.

Cause: Internal controls over financial reporting do not include adequate procedures designed to review general ledger activity and properly record transactions. In addition, controls are not designed to identify and correct errors in financial reporting.

Repeat Finding: This is a repeat finding from the prior year’s audit, finding 2021-005.

**CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings (Continued)

2022 – 002 – Financial Reporting – Year-End Closing Entries (Continued)

Recommendation: We recommend that internal controls over financial reporting should include procedures to reconcile and review year-end general ledger balances. In addition, periodic review procedures should be developed to allow employees and management to identify and correct errors in a timely manner.

Views of responsible officials and planned corrective actions: No disagreement with the finding. See accompanying corrective action plan.

2022 – 003 – Accounting System – Special Cities Fund

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The accounting system for the special cities fund records cash receipts and disbursements in a separate account for each grant or revenue stream. At year-end, excel spreadsheets are used to create a trial balance which includes reporting for revenues earned and the related expenditures. However, this system is prone to errors and difficult to reconcile.

Criteria or specific requirement: The City's accounting practices over the special cities are outside of the City's internal control structure as they rely on excel spreadsheets rather than OpenGov to track and record transactions.

Effect: Reduced accuracy and transparency in financial reporting, may result in difficulties assessing the special cities fund financial condition and increases the likelihood of material errors and misstatements.

Cause: The current method of accounting for transactions in the special cities fund does not adequately capture and record the transactions of this fund. In addition, the system does not allow for periodic reporting and is difficult to reconcile.

Repeat Finding: This is a repeat finding from the prior year's audit, finding 2021-006.

Recommendation: We recommend that all transactions for the special cities fund be recorded within the OpenGov accounting software. Balanced journal entries to record transactions would reduce the potential for errors in financial reporting and allow the City to produce timely and accurate reports to analyze the financial resources available to the City which are maintained in this fund as well as review the transactions being recorded in the fund.

Views of responsible officials and planned corrective actions: No disagreement with the finding. See accompanying corrective action plan.

**CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings (Continued)

2022 – 004 – Tracking Federal Expenditures

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The City receives Federal funding from a number of different sources. During the audit it was noted that the SEFA, prepared for the audit, was not accurate and complete.

Criteria or specific requirement: Title 2 U.S. Code of Federal Requirements (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires non-federal government entities that expend more than \$750,000 in Federal financial assistance to have a Single Audit. All federal expenditures should be reported on the Schedule of Expenditures of Federal Awards (“SEFA”).

Effect: There is an increased risk of noncompliance if the City does not have controls in place to identify and report all Federal funds received and expended.

Cause: Internal controls over financial reporting do not include procedures for tracking all Federal funds received, and expended, by the City.

Repeat Finding: This is a repeat finding from the prior year’s audit, finding 2021-007.

Recommendation: We recommend that the City designate an individual to act as a grant coordinator. This individual would be responsible for identifying Federal awards, tracking expenditures and preparing the schedule off expenditures of Federal awards.

Views of responsible officials and planned corrective actions: No disagreement with the finding. See accompanying corrective action plan.

2022 – 005 – Submission of Data Collection Form

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The submission of the Data Collection Form to the Federal Audit Clearinghouse was not completed by its required due date.

Criteria or specific requirement: In accordance with 2 CFR Section 200.512(a), the reporting package must be submitted the earlier of thirty calendar days after receipt of the auditor's report or nine months after the end of the audit period. The single audit reporting package includes the City’s financial statements, schedule of expenditures of Federal awards, the auditor’s report, and the other items.

Effect: The City was not in compliance with Federal Single Audit requirements.

Cause: The City’s financial statement audit was not complete within nine months of the end of the audit period.

**CITY OF SCRANTON, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings (Continued)

2022 – 005 – Submission of Data Collection Form (Continued)

Repeat Finding: This is a repeat finding from the prior year’s audit, finding 2021-008.

Recommendation: The City should work closely with its component unit auditors to ensure timely receipt of audit information.

Views of responsible officials and planned corrective actions: No disagreement with the finding. See accompanying corrective action plan.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**CITY OF SCRANTON, PENNSYLVANIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022**

The City of Scranton, Pennsylvania, respectfully submits the following summary schedule of prior audit findings for the year ended December 31, 2022.

Audit period: Year ended December 31, 2022.

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2021 – 001 Financial Statement Departure from Generally Accepted Accounting Principles

Condition: The financial statements do not include financial data for the City's legally separate component unit, the Scranton Parking Authority, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government.

Status: See current year finding 2022-001.

Reason for finding's recurrence: The Scranton Parking Authority did not receive an audit for the 2022 fiscal year.

Corrective Action: Summary schedule must describe the reasons for the finding's recurrence and planned corrective action.

2021 – 002 Expenditure Reporting – OECD Fund

Condition – General Fund: Total expenses were overstated by \$1,210,597 as a result of errors in recording accrued expenses for payroll liabilities.

Condition – OECD Fund: Total expenses were understated by \$90,050 as a result of unrecorded accrued liabilities at December 31, 2021.

Condition – Special Cities Fund: A portion of a debt payment was recorded in the Special Cities Fund when the debt was actually paid from the General Fund. The City failed to record a transfer of funds from the Special Cities Fund to the General Fund and the payment of the debt out of the General Fund in the amount of \$208,204.

Status: Corrective action was taken.

2021 – 003 Errors in Financial Reporting – OECD Fund

Condition: Revolving loan fund payments were properly recorded as decreasing the outstanding balance of the notes receivable. The City did not properly adjust the allowance for doubtful accounts and unearned revenue accounts. As a result, the accounts were misstated by \$124,245.

Status: Corrective action was taken.

**CITY OF SCRANTON, PENNSYLVANIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

2021 – 004 Revenue Recognition – General Fund

Condition – ARPA Fund: Grant revenue in the ARPA fund was overstated by \$34,353,340, related to grant funds advanced to the City from the American Rescue Plan Act. While some revenues and expenditures related to the grant were incurred during the year and properly reported, all of the grant proceeds were recorded as revenue in 2021 when received and not after all eligibility requirements had been met in accordance with the revenue recognition criteria noted above.

Condition – OECD Fund: Grant revenue and unearned revenue in the OECD fund were overstated by \$3,300,092, related to grant funds allocated to OECD from the U.S. Department of Housing and Urban Development. While some revenues and expenditures related to the grant were incurred during the year and properly reported, the City recorded allocations of amounts not yet earned as a receivable and corresponding unearned revenue in 2021.

Status: Corrective action was taken.

2021 – 005 Errors in Financial Reporting – Year-End Closing Entries

Condition: Over 24 journal entries, including the entries noted above, were proposed as a result of audit procedures to correct year-end balances and to properly record transactions.

Status: See current year finding 2022-002.

Reason for finding's recurrence: The City required material adjusting journal entries to correct year-end balances and to properly record transactions during the 2022 audit.

Corrective Action: Summary schedule must describe the reasons for the finding's recurrence and planned corrective action.

2021 – 006 Accounting System – Special Cities Fund

Condition: The accounting system for the special cities fund records cash receipts and disbursements in a separate account for each grant or revenue stream. At year-end, excel spreadsheets are used to create a trial balance which includes reporting for revenues earned and the related expenditures. However, this system is prone to errors and difficult to reconcile.

Status: See current year finding 2022-003.

Reason for finding's recurrence: The City continued to maintain the special cities fund transaction outside the accounting general ledger software.

Corrective Action: Summary schedule must describe the reasons for the finding's recurrence and planned corrective action.

2021 – 007 Tracking Federal Expenditures

Condition: The City receives federal funding from a number of different sources. During the audit it was noted that the SEFA prepared for the audit was not accurate and excluded some federal expenditures.

**CITY OF SCRANTON, PENNSYLVANIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Status: See current year finding 2022-004.

Reason for finding's recurrence: The SEFA provided for the audit did not contain the Economic Adjustment Assistance (AL# 11.307) revolving loan fund expenditures.

Corrective Action: Summary schedule must describe the reasons for the finding's recurrence and planned corrective action.

2021 – 008 Submission of Data Collection Form

Condition: The submission of the Data Collection Form to the Federal Audit Clearing House was not completed by its required due date.

Status: See current year finding 2022-005.

Reason for finding's recurrence: The City's blended component unit audit for the Scranton Sewer Authority was delayed, resulting in the City missing the September 30th deadline for the submission of the Data Collection Form.

Corrective Action: Summary schedule must describe the reasons for the finding's recurrence and planned corrective action.



DEPARTMENT OF BUSINESS ADMINISTRATION

City Hall | 340 North Washington Avenue | Scranton, PA 18503 | 570.348.4118

CORRECTIVE ACTION PLAN

Response to Findings in 2022 Single Audit Report. Except as stated otherwise below, Eileen Cipriani, Business Administrator, or the official appointed by Mayor as City Business Administrator, will serve as the responsible official for all of the actions in the Corrective Action Plan.

2022-001 Financial Statement Departure from Accounting Principles Generally Accepted in the United States of America

The City informed the Scranton Parking Authority Solicitor in August 2023 that the Independent Auditor's Report that it submitted for the 2022 audit does not meet Generally Accepted Auditing Standards. The SPA Solicitor was not aware of this noncompliance. The Solicitor informed the City that the SPA will engage an auditor to complete a GAAS compliant 2023 audit and timely submit said audit to the City.

Anticipated Completion Date: March 2024

2022-002 Financial Reporting—Year End Closing Entries

Management has taken the appropriate steps to correct this finding. Invoices received are accrued to the month in which the expense is incurred. Invoices received after December 31 that are incurred in the prior year are accrued to the applicable time period.

Anticipated Completion Date: December 2023

2022-003 Accounting System—Special Cities Fund

The City began a review of the Special City Fund in 2023. This review is evaluating the current activity of each account in the fund, and each account's enabling legislation. Once the review is completed, the City will draft legislation to close inactive accounts. The City will work with our IT department and the City financial software vendor, Open Gov to fully establish the Special Cities Fund in the financial reporting system.

Anticipated Completion Date: December 2024

2022-004 Tracking Federal Expenditures

Management has taken appropriate steps to correct this finding. The City Grant Manger is responsible for collecting all Federal grant information in a centralized software system. In preparation for the audit, the Grant Manger works with the City Finance Manager to assemble the SEFA.

Anticipated Completion Date: September 2023

2022-005 Submission of Data Collection Form

The City makes every effort to complete the audit in a timely manner working with its audit preparation firm. The City will reach out to its actuary and component unit auditors in in January 2024 informing them of the timeline the City needs audit information from their respective offices.

Anticipated Completion Date: January 2024



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAglobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.