

**CITY OF SCRANTON, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**CITY OF SCRANTON, PENNSYLVANIA**

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DECEMBER 31, 2018**

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# KOHANSKI

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council of  
City of Scranton, Pennsylvania:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scranton, Pennsylvania (the "City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Scranton Redevelopment Authority ("SRA"), which represents 47% of the assets and fund balance, and 8% of the revenues of the non-major governmental funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the SRA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the

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financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and adverse audit opinions.

**Summary of Opinions:**

| <u>Reporting Entity</u>                       | <u>Type of Opinion</u> |
|---|------------------------|
| <b>Entity-Wide:</b>                           |                        |
| Governmental Activities                       | Unmodified             |
| Business-Type Activity                        | Unmodified             |
| Aggregate Discretely Presented Component Unit | Adverse                |
| <b>Fund:</b>                                  |                        |
| General Fund                                  | Unmodified             |
| OECD  | Unmodified             |
| Special Cities                                | Unmodified             |
| Non-major Funds                               | Unmodified             |
| Enterprise Fund - Sewer Authority             | Unmodified             |
| Internal Service Fund                         | Unmodified             |
| Pension Trust Fund                            | Unmodified             |

**Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit**

The financial statements referred to above include only the primary government of the City, which consists of all funds and organizations that comprise the City’s legal entity. 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.

**Adverse Opinion on the Reporting Entity**

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit as of December 31, 2018, the changes in its financial position or, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions on Governmental Activities, Business-Type Activity, Major Funds, and Aggregate Remaining Fund Information**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of the City, as of December 31, 2018, 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.

### **Emphasis of Matter**

As discussed in Notes 1 and 22 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* in 2018, to conform to accounting principles generally accepted in the United States of America. The City restated its beginning net position at December 31, 2017 for this adoption.

As discussed in Note 19, Distressed Municipality Status, the City was declared a distressed municipality under the Financially Distressed Municipalities Act ("Act 47") in 1992. On July 27, 2017, the City adopted its Act 47 Exit Recovery Plan. This plan identifies mandates that the City must implement to eliminate the City's operating budget deficits as projected by the Act 47 Coordinator. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedules of changes in the City's net pension liability and related ratios, schedules of the City's contributions - pension plans, schedules of changes in the City's OPEB liability and related ratios, and supplemental schedule of revenue and expenditures - budget and actual - general fund on pages 58 - 75 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining balance sheet - non-major governmental funds, and the combining statement of revenues, expenditures and changes in fund balances - non-major governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Kohanski & Co., PC*

Moosic, PA  
December 26, 2019

**CITY OF SCRANTON, PENNSYLVANIA**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

|  | <u>Primary Government</u>          |  |                       |
|--|------------------------------------|--|-----------------------|
|  | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activity<br/>(March 31, 2018)</u> | <u>Total</u>          |
| <b>CURRENT ASSETS:</b>                     |                                    |  |                       |
| Cash and cash equivalents                  | \$ 9,087,956                       | \$ 886,815   | \$ 9,974,771          |
| Investments                                | 21,474,483                         | -  | 21,474,483            |
| Receivables:                               |                                    |  |                       |
| Taxes receivable, net                      | 15,382,013                         | -  | 15,382,013            |
| Garbage fees receivable, net               | 4,508,025                          | -  | 4,508,025             |
| Accounts receivable, net                   | 3,999,658                          | 116,191  | 4,115,849             |
| Loans receivable                           | 47,368                             | -  | 47,368                |
| Property held for resale                   | 98,365                             | -  | 98,365                |
| Prepaid expenses                           | -                                  | 22,196   | 22,196                |
| Escrow deposits                            | -                                  | 16,811,213   | 16,811,213            |
| Restricted cash and cash equivalents       | <u>30,593,818</u>                  | <u>-</u>   | <u>30,593,818</u>     |
| Total Current Assets                       | 85,191,686                         | 17,836,415   | 103,028,101           |
| <b>CAPITAL ASSETS, net</b>                 | 83,934,732                         | 5,885  | 83,940,617            |
| <b>DEFERRED OUTFLOWS OF<br/>RESOURCES:</b> |                                    |  |                       |
| Deferred outflows related to pensions      | <u>6,389,885</u>                   | <u>-</u>   | <u>6,389,885</u>      |
|  | <u>\$175,516,303</u>               | <u>\$ 17,842,300</u>                                   | <u>\$ 193,358,603</u> |

The accompanying notes are an integral part of these financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**STATEMENT OF NET POSITION (CONT'D)  
DECEMBER 31, 2018**

|   | <u>Primary Government</u>          |  |                    |
|---|------------------------------------|--|--------------------|
|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activity<br/>(March 31, 2018)</u> | <u>Total</u>       |
| <b>CURRENT LIABILITIES:</b>   |                                    |  |                    |
| Accounts payable  | \$ 6,130,221                       | \$ 699,906   | \$ 6,830,127       |
| Other liabilities   | 938,837                            | 3,029  | 941,866            |
| Funds in escrow   | 3,291,311                          | -  | 3,291,311          |
| Current portion of long term debt:                                  |                                    |  |                    |
| Long-term debt obligations  | 5,743,647                          | -  | 5,743,647          |
| Capital leases  | 587,894                            | -  | 587,894            |
| Accrued interest  | 939,201                            | -  | 939,201            |
|   | <u>17,631,111</u>                  | <u>702,935</u>   | <u>18,334,046</u>  |
| <b>Total Current Liabilities</b>                                    |                                    |  |                    |
| <b>LONG-TERM OBLIGATIONS, net of<br/>current portion:</b>           |                                    |  |                    |
| Long-term debt obligations  | 112,843,705                        | -  | 112,843,705        |
| Capital leases  | 1,722,818                          | -  | 1,722,818          |
| Worker's compensation claims  | 17,081,978                         | -  | 17,081,978         |
| Net other post-employment benefit<br>obligation                     | 210,017,780                        | -  | 210,017,780        |
| Net pension liability   | 75,047,250                         | -  | 75,047,250         |
| Compensated absences  | 3,707,005                          | -  | 3,707,005          |
| Unearned revenue  | 4,055,872                          | -  | 4,055,872          |
|   | <u>424,476,408</u>                 | <u>-</u>   | <u>424,476,408</u> |
| <b>Total Long-term Obligations, net<br/>    of current portion:</b> |                                    |  |                    |
| <b>Total Liabilities</b>  | <u>442,107,519</u>                 | <u>702,935</u>   | <u>442,810,454</u> |
| <b>DEFERRED INFLOWS OF<br/>RESOURCES:</b>                           |                                    |  |                    |
| Deferred inflows related to pensions                                | 33,608,546                         | -  | 33,608,546         |

The accompanying notes are an integral part of these financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**STATEMENT OF NET POSITION (CONT'D)  
DECEMBER 31, 2018**

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|   | <u>Primary Government</u>          |  |                      |
|---|------------------------------------|--|----------------------|
|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activity<br/>(March 31, 2018)</u> | <u>Total</u>         |
| NET POSITION:                                     |                                    |  |                      |
| Net investment in capital assets                  | -                                  | 5,885  | 5,885                |
| Restricted for:                                   |                                    |  |                      |
| Debt service                                      | 486,080                            | -  | 486,080              |
| Restricted for Escrow Agreements                  | -                                  | 16,811,213   | 16,811,213           |
| Restricted for externally imposed<br>restrictions | 24,081,778                         | -  | 24,081,778           |
| Unrestricted (deficit)                            | <u>(324,767,620)</u>               | <u>322,267</u>   | <u>(324,445,353)</u> |
| Total Net Position                                | <u>(300,199,762)</u>               | <u>17,139,365</u>                                      | <u>(283,060,397)</u> |
|   | <u>\$ 175,516,303</u>              | <u>\$ 17,842,300</u>                                   | <u>\$193,358,603</u> |

The accompanying notes are an integral part of these financial statements.



**CITY OF SCRANTON, PENNSYLVANIA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

|   | General<br>Fund      | OECD                | Special<br>Cities   | Non-major<br>Funds  | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------|---------------------|---------------------|--------------------------------|
| <b>ASSETS:</b>                                    |                      |                     |                     |                     |                                |
| Cash and cash equivalents                         | \$ 6,176,310         | \$ 1,707,610        | \$ -                | \$ 1,204,036        | \$ 9,087,956                   |
| Taxes receivable, net                             | 15,382,013           | -                   | -                   | -                   | 15,382,013                     |
| Garbage fees receivable, net                      | 4,508,025            | -                   | -                   | -                   | 4,508,025                      |
| Accounts receivable, net                          | 1,313,891            | 1,505,218           | 1,106,464           | -                   | 3,925,573                      |
| Loans receivable, net                             | -                    | -                   | -                   | 47,368              | 47,368                         |
| Restricted cash and cash<br>equivalents           | 24,081,778           | -                   | 6,371,135           | 140,905             | 30,593,818                     |
| Property held for resale                          | -                    | -                   | -                   | 98,365              | 98,365                         |
| Due from other funds                              | <u>749,909</u>       | <u>528,103</u>      | <u>904,133</u>      | <u>-</u>            | <u>2,182,145</u>               |
|   | <u>\$ 52,211,926</u> | <u>\$ 3,740,931</u> | <u>\$ 8,381,732</u> | <u>\$ 1,490,674</u> | <u>\$ 65,825,263</u>           |
| <b>LIABILITIES:</b>                               |                      |                     |                     |                     |                                |
| Accounts payable                                  | \$ 5,544,357         | \$ 154,443          | \$ 205,095          | \$ 874              | \$ 5,904,769                   |
| Funds in escrow                                   | -                    | -                   | 3,291,311           | -                   | 3,291,311                      |
| Other liabilities                                 | 920,105              | 18,732              | -                   | -                   | 938,837                        |
| Unearned revenue                                  | -                    | 2,986,218           | 1,069,654           | -                   | 4,055,872                      |
| Due to other funds                                | <u>904,133</u>       | <u>35,673</u>       | <u>714,236</u>      | <u>528,103</u>      | <u>2,182,145</u>               |
| Total Liabilities                                 | <u>7,368,595</u>     | <u>3,195,066</u>    | <u>5,280,296</u>    | <u>528,977</u>      | <u>16,372,934</u>              |
| <b>DEFERRED INFLOWS OF<br/>RESOURCES:</b>         |                      |                     |                     |                     |                                |
| Unavailable revenue                               | <u>11,182,269</u>    | <u>-</u>            | <u>-</u>            | <u>47,368</u>       | <u>11,229,637</u>              |
| <b>FUND BALANCES:</b>                             |                      |                     |                     |                     |                                |
| Nonspendable                                      | -                    | -                   | -                   | 98,365              | 98,365                         |
| Restricted for debt service                       | 486,080              | -                   | -                   | -                   | 486,080                        |
| Restricted for externally<br>imposed restrictions | 24,081,778           | 545,865             | -                   | 1,189,422           | 25,817,065                     |
| Assigned  | 4,769,204            | -                   | 3,101,436           | 140,905             | 8,011,545                      |
| Unassigned  | <u>4,324,000</u>     | <u>-</u>            | <u>-</u>            | <u>(514,363)</u>    | <u>3,809,637</u>               |
| Total Fund Balances                               | <u>33,661,062</u>    | <u>545,865</u>      | <u>3,101,436</u>    | <u>914,329</u>      | <u>38,222,692</u>              |
|   | <u>\$ 52,211,926</u> | <u>\$ 3,740,931</u> | <u>\$ 8,381,732</u> | <u>\$ 1,490,674</u> | <u>\$ 65,825,263</u>           |

The accompanying notes are an integral part of these financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**RECONCILIATION OF FUND BALANCE IN THE BALANCE SHEET -  
GOVERNMENTAL FUNDS WITH NET POSITION IN THE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

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|                                  |               |
|----------------------------------|---------------|
| TOTAL GOVERNMENTAL FUND BALANCES | \$ 38,222,692 |
|----------------------------------|---------------|

Amounts reported in the statement of net position are difference 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           | 193,106,557   |
| Accumulated depreciation | (109,171,825) |

|  |           |
|--|-----------|
| Property taxes receivable will be collected but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the fund. | 7,011,585 |
|--|-----------|

|   |           |
|---|-----------|
| 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 fund. | 4,170,684 |
|---|-----------|

|   |        |
|---|--------|
| Deferred loans are loans made by Scranton Redevelopment Authority to qualified projects that 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 funds. | 47,368 |
|---|--------|

|   |           |
|---|-----------|
| Internal service fund is used by management to charge the cost of workmen's compensation insurance to various departments. The net revenue/expense of the internal service fund is reported with governmental activities. | 4,241,138 |
|---|-----------|

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          | (75,047,250) |
| Deferred outflows of resources | 6,389,885    |
| Deferred inflows of resources  | (33,608,546) |

The accompanying notes are an integral part of these financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**RECONCILIATION OF FUND BALANCE IN THE BALANCE SHEET -  
GOVERNMENTAL FUNDS WITH NET POSITION IN THE  
STATEMENT OF NET POSITION (CONT'D)  
DECEMBER 31, 2018**

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Long-term obligations are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term obligations at year end consist of the following:

|  |                                |
|--|--------------------------------|
| General obligation bonds payable                     | (60,985,000)                   |
| General obligation notes payable                     | (55,595,000)                   |
| Governmental notes payable                           | (2,007,352)                    |
| Accrued interest payable                             | (939,201)                      |
| Capitalized lease payable                            | (2,310,712)                    |
| Compensated absences                                 | (3,707,005)                    |
| Other post-employment benefits                       | <u>(210,017,780)</u>           |
| <b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b> | <b><u>\$ (300,199,762)</u></b> |

The accompanying notes are an integral part of these financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2018**

|  | General<br>Fund      | OECD              | Special<br>Cities   | Non-major<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------|---------------------|--------------------|--------------------------------|
| <b>REVENUES:</b>   |                      |                   |                     |                    |                                |
| Taxes  | \$ 72,925,885        | \$ -              | \$ -                | \$ -               | \$ 72,925,885                  |
| Intergovernmental revenue  | 4,761,305            | 3,096,734         | 933,576             | 2,515,300          | 11,306,915                     |
| Departmental earnings  | 554,483              | -                 | 749,852             | -                  | 1,304,335                      |
| Refuse disposal fee  | 6,970,633            | -                 | -                   | -                  | 6,970,633                      |
| Licenses and permits   | 2,396,375            | -                 | -                   | -                  | 2,396,375                      |
| Cable television franchise revenue   | 1,022,958            | -                 | -                   | -                  | 1,022,958                      |
| Payments in lieu of taxes  | 71,456               | -                 | -                   | -                  | 71,456                         |
| Investment income  | -                    | 1,853             | 23,568              | 11,858             | 37,279                         |
| Other revenues   | 881,339              | 6,329             | 639,076             | 25,532             | 1,552,276                      |
| Rents and concessions  | 5,500                | -                 | -                   | 7,350              | 12,850                         |
| Program income   | 432,088              | 853,810           | -                   | -                  | 1,285,898                      |
| <b>Total Revenues</b>  | <b>90,022,022</b>    | <b>3,958,726</b>  | <b>2,346,072</b>    | <b>2,560,040</b>   | <b>98,886,860</b>              |
| <b>EXPENDITURES:</b>   |                      |                   |                     |                    |                                |
| <b>Current:</b>  |                      |                   |                     |                    |                                |
| General government   | 17,687,403           | -                 | 676,734             | 2,080              | 18,366,217                     |
| Public safety  | 67,310,714           | -                 | 49,862              | -                  | 67,360,576                     |
| Public works   | 13,074,685           | -                 | 293,497             | -                  | 13,368,182                     |
| Community development  | -                    | 3,513,199         | -                   | 199,910            | 3,713,109                      |
| Culture and recreation   | 725,924              | -                 | -                   | -                  | 725,924                        |
| <b>Debt Service:</b>   |                      |                   |                     |                    |                                |
| Debt service principal   | 5,806,958            | -                 | -                   | 310,000            | 6,116,958                      |
| Debt service interest/fees   | 4,881,083            | -                 | -                   | 142,974            | 5,024,057                      |
| Capital Outlay   | 3,912,713            | -                 | 1,275,294           | -                  | 5,188,007                      |
| <b>Total Expenditures</b>  | <b>113,399,480</b>   | <b>3,513,199</b>  | <b>2,295,387</b>    | <b>654,964</b>     | <b>119,863,030</b>             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>   | <b>(23,377,458)</b>  | <b>445,527</b>    | <b>50,685</b>       | <b>1,905,076</b>   | <b>(20,976,170)</b>            |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                      |                   |                     |                    |                                |
| Operating transfers-in   | 1,791,789            | -                 | 1,622,398           | 510,000            | 3,924,187                      |
| Operating transfers-out  | (2,132,397)          | -                 | -                   | (1,791,790)        | (3,924,187)                    |
| Proceeds from leases   | 1,944,539            | -                 | -                   | -                  | 1,944,539                      |
| Proceeds from issuance of bonds  | 22,990,000           | -                 | -                   | -                  | 22,990,000                     |
| Proceeds from tax anticipation note  | 12,750,000           | -                 | -                   | -                  | 12,750,000                     |
| Payments on tax anticipation note  | (13,101,263)         | -                 | -                   | -                  | (13,101,263)                   |
| Court award payment  | (483,951)            | -                 | -                   | -                  | (483,951)                      |
| <b>Total Other Financing Sources (Uses)</b>  | <b>23,758,717</b>    | <b>-</b>          | <b>1,622,398</b>    | <b>(1,281,790)</b> | <b>24,099,325</b>              |
| <b>EXCESS OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER<br/>EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b>381,259</b>       | <b>445,527</b>    | <b>1,673,083</b>    | <b>623,286</b>     | <b>3,123,155</b>               |
| <b>FUND BALANCE - Beginning:</b>   |                      |                   |                     |                    |                                |
| As previously reported   | 33,279,803           | 100,338           | 373,788             | 838,913            | 34,592,842                     |
| Prior-period adjustment  | -                    | -                 | 1,054,565           | (547,870)          | 506,695                        |
| <b>As restated</b>   | <b>33,279,803</b>    | <b>100,338</b>    | <b>1,428,353</b>    | <b>291,043</b>     | <b>35,099,537</b>              |
| <b>FUND BALANCE - Ending</b>   | <b>\$ 33,661,062</b> | <b>\$ 545,865</b> | <b>\$ 3,101,436</b> | <b>\$ 914,329</b>  | <b>\$ 38,222,692</b>           |

The accompanying notes are an integral part of these financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**RECONCILIATION OF CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS  
WITH CHANGE IN NET POSITION  
YEAR ENDED DECEMBER 31, 2018**

---

CHANGE IN FUND BALANCE \$ 3,123,155

The change in net position reported in the statement of activities is 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. The amount by which capital outlays exceeds depreciation.

|                 |             |
|-----------------|-------------|
| Capital outlays | 5,188,007   |
| Depreciation    | (5,778,705) |

Internal service fund is used by management to charge the cost of workmen's compensation insurance to various departments. The net revenue of the internal service fund is reported with governmental activities.

4,761,536

Issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds reports the effect of issuance cost and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

(37,684,539)

Repayment of bond 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     | 4,915,000  |
| Repayment of notes payable                | 13,300,442 |
| Repayment of capitalized leases principal | 651,514    |
| Accrued interest                          | (33,380)   |

The accompanying notes are an integral part of these financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**RECONCILIATION OF CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS  
WITH CHANGE IN NET POSITION (CONT'D)  
YEAR ENDED DECEMBER 31, 2018**

---

In the statement of revenues, expenditures, and changes in fund balance, non-exchange revenue is only recognized when measurable and available. Therefore, any non-exchange balances collected past sixty-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.

2,082,223

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. This item consists of:

Change in compensated absences

(396,260)

Change in net post-employment benefit obligation

(1,854,834)

Change in net pension liability and related deferrals

34,282,041

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 22,556,200

The accompanying notes are an integral part of these financial statements.

CITY OF SCRANTON, PENNSYLVANIA

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
DECEMBER 31, 2018**

|  | <u>Business-Type<br/>Activity</u>           | <u>Governmental<br/>Activity</u> |
|--|---|----------------------------------|
|  | <u>Enterprise Fund</u>                      |                                  |
|  | <u>Sewer Authority<br/>(March 31, 2018)</u> | <u>Internal<br/>Service Fund</u> |
| <b>CURRENT ASSETS:</b>                     |   |                                  |
| Cash and cash equivalents                  | \$ 886,815                                  | \$ -                             |
| Investments                                | -   | 21,474,483                       |
| Accounts receivable, net                   | 116,191                                     | 74,085                           |
| Prepaid insurance                          | 22,196                                      | -                                |
| Escrow deposits                            | <u>16,811,213</u>                           | <u>-</u>                         |
| Total Current Assets                       | 17,836,415                                  | 21,548,568                       |
| <br>                                       |   |                                  |
| CAPITAL ASSETS, net                        | <u>5,885</u>                                | <u>-</u>                         |
|  | <u>\$ 17,842,300</u>                        | <u>\$ 21,548,568</u>             |
| <br>                                       |   |                                  |
| <b>LIABILITIES:</b>                        |   |                                  |
| Current Liabilities:                       |   |                                  |
| Accrued expenses                           | \$ 699,906                                  | \$ 225,452                       |
| Accrued payroll and payroll taxes          | <u>3,029</u>                                | <u>-</u>                         |
| Total Current Liabilities                  | 702,935                                     | 225,452                          |
| <br>                                       |   |                                  |
| Non-Current Liabilities:                   |   |                                  |
| Workers' compensation claims payable       | <u>-</u>                                    | <u>17,081,978</u>                |
| Total Liabilities                          | <u>702,935</u>                              | <u>17,307,430</u>                |
| <br>                                       |   |                                  |
| <b>NET POSITION:</b>                       |   |                                  |
| Net investment in capital assets           | 5,885                                       | -                                |
| Restricted for escrow agreements           | 16,811,213                                  | -                                |
| Restricted for workers compensation claims | -   | 4,241,138                        |
| Unrestricted                               | <u>322,267</u>                              | <u>-</u>                         |
| Total Net Position                         | <u>17,139,365</u>                           | <u>4,241,138</u>                 |
|  | <u>\$ 17,842,300</u>                        | <u>\$ 21,548,568</u>             |

The accompanying notes are an integral part of these financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2018**

|                              | <u>Business-Type<br/>Activity</u>  | <u>Governmental<br/>Activity</u> |
|------------------------------|--|----------------------------------|
|                              | <u>Enterprise Fund<br/>Sewer Authority<br/>(Year ended<br/>March 31, 2018)</u> | <u>Internal<br/>Service Fund</u> |
| REVENUES:                    |  |                                  |
| Charges for services         | \$ <u>207,856</u>  | \$ <u>2,000,000</u>              |
| EXPENSES:                    |  |                                  |
| Workers' compensation claims | -  | 2,103,868                        |
| Administrative and general   | 723,462  | -                                |
| Other                        | <u>-</u>   | <u>300,564</u>                   |
| Total Expenses               | <u>723,462</u>   | <u>2,404,432</u>                 |
| LOSS FROM OPERATIONS         | <u>(515,606)</u>   | <u>(404,432)</u>                 |
| NON-OPERATING REVENUES:      |  |                                  |
| Investment income            | 75,220   | 415,968                          |
| Gain on revaluation          | -  | 4,750,000                        |
| Other revenue                | <u>80,851</u>  | <u>-</u>                         |
| Total Non-Operating Revenues | <u>156,071</u>   | <u>5,165,968</u>                 |
| CHANGE IN NET POSITION       | <u>(359,535)</u>   | <u>4,761,536</u>                 |
| NET POSITION - Beginning:    |  |                                  |
| As previously reported       | 17,729,654   | (520,398)                        |
| Prior-period adjustments     | <u>(230,754)</u>   | <u>-</u>                         |
| As Restated                  | <u>17,498,900</u>  | <u>(520,398)</u>                 |
| NET POSITION - Ending        | <u>\$ 17,139,365</u>   | <u>\$ 4,241,138</u>              |

The accompanying notes are an integral part of these financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2018**

|   | <u>Business-Type<br/>Activity</u>  | <u>Governmental<br/>Activity</u> |
|---|--|----------------------------------|
|   | <u>Enterprise Fund<br/>Sewer Authority<br/>(Year ended<br/>March 31, 2018)</u> | <u>Internal<br/>Service Fund</u> |
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>   |  |                                  |
| Cash received from liens/interfund services provided  | \$ 205,105   | \$ 3,994,668                     |
| Cash received from miscellaneous fees   | 80,851   | -                                |
| Cash paid to employees for services   | (155,171)  | -                                |
| Cash paid for legal fees and easements  | (218,346)  | -                                |
| Cash paid for operating expenses  | <u>(1,534,658)</u>   | <u>(2,152,521)</u>               |
| Net Cash Provided (Used) By Operating Activities  | <u>(1,622,219)</u>   | <u>1,842,147</u>                 |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>   |  |                                  |
| Purchases of investments  | -  | (4,662,547)                      |
| Proceeds from investments   | -  | 2,404,432                        |
| Interest and dividend received  | <u>75,220</u>  | <u>415,968</u>                   |
| Net Cash Provided (Used) by Investing Activities  | <u>75,220</u>  | <u>(1,842,147)</u>               |
| NET CHANGE IN CASH AND CASH EQUIVALENTS   | (1,546,999)  | -                                |
| CASH AND CASH EQUIVALENTS - Beginning   | <u>2,433,814</u>   | <u>-</u>                         |
| CASH AND CASH EQUIVALENTS - Ending  | <u>\$ 886,815</u>  | <u>\$ -</u>                      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |                                  |
| Loss from operations  | \$ (359,535)   | \$ (404,432)                     |
| Adjustments to reconcile loss from operations<br>to net cash provided (used) by operating activities: |  |                                  |
| Depreciation  | 1,502  | -                                |
| Change in assets and liabilities:   |  |                                  |
| Accounts receivable   | (2,751)  | (5,332)                          |
| Due from other funds  | -  | 2,000,000                        |
| Prepaid insurance   | (22,196)   | -                                |
| Escrow deposits   | 111,819  | -                                |
| Accrued payroll   | 2,854  | -                                |
| Accrued expenses  | (1,353,912)  | (20,503)                         |
| Workmen's compensation claim payables   | <u>-</u>   | <u>272,414</u>                   |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ (1,622,219)</u>  | <u>\$ 1,842,147</u>              |

The accompanying notes are an integral part of these financial statements.

CITY OF SCRANTON, PENNSYLVANIA

**STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2018**

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|                                    | <u>Pension<br/>Trust<br/>Fund</u> |
|------------------------------------|-----------------------------------|
| <b>ASSETS:</b>                     |                                   |
| Cash and investments               | \$ 92,763,750                     |
| Members' contributions receivable  | <u>49,450</u>                     |
|                                    | <u>\$ 92,813,200</u>              |
| <b>LIABILITIES:</b>                |                                   |
| Accounts payable                   | \$ 27,622                         |
| <b>NET POSITION:</b>               |                                   |
| Held in trust for pension benefits | <u>92,785,578</u>                 |
|                                    | <u>\$ 92,813,200</u>              |

The accompanying notes are an integral part of these financial statements.

CITY OF SCRANTON, PENNSYLVANIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED DECEMBER 31, 2018**

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|   | Pension<br>Trust<br><u>Fund</u> |
|---|---------------------------------|
| ADDITIONS:                                    |                                 |
| Contributions:                                |                                 |
| Employer contributions                        | \$ 7,029,195                    |
| State aid                                     | 3,681,620                       |
| Contributions by members                      | 1,290,621                       |
| Bond proceeds                                 | <u>23,075,171</u>               |
| Total Contributions                           | <u>35,076,607</u>               |
| Investment Income:                            |                                 |
| Net depreciation in fair-value of investments | (9,104,492)                     |
| Net realized gain on sale of investments      | 4,078,394                       |
| Interest and dividends, net of fees           | <u>1,621,698</u>                |
| Total Investment Loss                         | <u>(3,404,400)</u>              |
| Total Additions                               | <u>31,672,207</u>               |
| DEDUCTIONS:                                   |                                 |
| Retirement benefits paid                      | (12,860,963)                    |
| Administrative expenses                       | <u>(158,323)</u>                |
| Total Deductions                              | <u>(13,019,286)</u>             |
| CHANGE IN NET POSITION                        | 18,652,921                      |
| NET POSITION - Beginning                      | <u>74,132,657</u>               |
| NET POSITION - Ending                         | <u>\$ 92,785,578</u>            |

The accompanying notes are an integral part of these financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

---

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Scranton, Pennsylvania (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, 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 GAAP 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
- Municipal Industrial Development Authority of Scranton
- Joint Zoo Authority of the City of Scranton and the County of Lackawanna
- Scranton Public Library
- Single Tax Office

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 the

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

---

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Reporting Entity (Cont'd)

Component Unit (Cont'd)

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. This type of entity 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. There is no such presentation included in the City's government-wide and fund financial statements.

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.

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, 2018:

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

---

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Reporting Entity (Cont'd)

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 programs. 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 forty-five (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 programs. 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, 2018, and no financial statements have been prepared or included in the City's financial statements for the year ended December 31, 2018. The Parking Authority should be a discretely presented component unit.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

---

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Reporting Entity (Cont'd)

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.

To obtain individual financial statements for any of the above-mentioned entities, individuals should contact the administrative office of each specific entity.

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 non-exchange 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.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

---

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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, deferred outflows of resources, 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.

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 changes 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, Office of Economic and Community Development ("OECD"), and the SRA.

The OECD is classified as a major fund. The remaining special revenue funds are classified as non-major funds.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

---

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Governmental Funds (Cont'd)

Debt Service Fund

Debt service fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt. The fund balance of the debt service fund is reserved to signify the amounts are restricted exclusively for debt service expenditure, and is classified as a non-major fund.

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 non-operating 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 fund is 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.

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 includes salaries and administrative costs. All revenue or expenses not meeting this definition are reported as non-operating revenue and expenses.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

---

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 Non-uniformed 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.

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.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

---

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus and Basis of Accounting (Cont'd)

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.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and all other investment instruments with original maturities of three months or less.

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. Fees receivable are reported net of an allowance of \$10,917,142 at December 31, 2018.

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. These loans receivable are reported at the gross principal outstanding. The outstanding loans are considered unearned revenue until collection of the principal is received. Interest income is recorded when received.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 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>SRA</u> | <u>Government-<br/>Wide</u> |
|------------------------------------|------------|-----------------------------|
| Building and building improvements | N/A        | 20 - 50 years               |
| Land improvements                  | N/A        | 10 - 15 years               |
| Equipment/furniture                | 15 years   | 5 - 7 years                 |
| Vehicles                           | N/A        | 8 - 15 years                |
| Roadways                           | N/A        | 30 - 50 years               |
| Traffic systems                    | N/A        | 15 years                    |

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.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets (Cont'd)

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

Deferred Outflows/Inflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of deferred outflows of resources. Accordingly, the item, deferred pension charges is reported in the statement of net position in connection with the City's Pension Plans. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the statement of financial position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources. On the statement of net position, deferred inflows of resources are related to pensions for certain actuarially determined differences between projected and actual investment earnings. In the governmental-funds balance sheet, deferred inflows of resources are related to unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental-fund operations 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 and accrued compensated absences.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Long-Term Debt (Cont'd)

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 proprietary funds is the same in the governmental-fund statements as it is in the government-wide 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.

The government-fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

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. As of December 31, 2018, aggregate liability for unused vacation and sick pay was \$3,707,005.

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for its pension plans which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Post-Employment Benefit Obligation

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, as of January 1, 2018. The total OPEB liability is reported in compliance with GASB Statement No. 75 because the City does not pre-fund the OPEB plan in a trust that meets the criteria in the GASB standards. The total OPEB liability represents the actuarial present value of projected OPEB payments attributable to employees' past service as of December 31, 2018.

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 deferred outflows of resources, 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:

Non-spendable: 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.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Governmental-Fund Balances (Cont'd)

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.

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 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, 2018, upon which the 2018 levy was based, was approximately \$395 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 - March 1 | 2 1/2% discount period |
| March 1 - April 30   | 2% discount period     |
| May 1 - June 30      | Face payment period    |
| July 1 - January 15  | 10% penalty period     |
| January 16           | Lien date              |

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Real Estate Taxes (Cont'd)

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, 2018 was 232.521 mills on the assessed value of land and 50.564 mills on the assessed value of improvements.

Effects of New Pronouncements

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

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement will enhance comparability of financial reporting for governments by establishing uniform criteria for governments to recognize and measure asset retirement obligations, including obligations that may have not been previously reported.

The provisions of Statement No. 83 are effective for fiscal years beginning after June 15, 2018. The City is currently evaluating the effects of this statement on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

The provisions of Statement No. 84 are effective for fiscal years beginning after December 15, 2018. The City is currently evaluating the effects of this statement on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The statement increases the usefulness of a government's financial statements by requiring recognition of certain lease assets and liabilities for previously classified operating leases as inflows of resources or outflows of resources based on payment provisions of the contract.

The provisions of Statement No. 87 are effective for fiscal years beginning after December 15, 2019. The City is currently evaluating the effects of this statement on its financial statements.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Effects of New Pronouncements (Cont'd)

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the local information that is described in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The provisions of Statement No. 88 are effective for fiscal years beginning after June 15, 2018. The City is currently evaluating the effects of this statement on its financial statement.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are; 1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and 2) to simplify accounting for interest cost incurred before the end of a construction period.

The provisions of Statement No. 89 are effective for fiscal years beginning after December 15, 2019. The City is currently evaluating the effects of this statement on its financial statements.

Subsequent Events

Management has evaluated subsequent events through December 26, 2019, 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 deposit; 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.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Cash (Cont'd)

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. As of December 31, 2018, \$58,040,737 of the City's bank balance of \$59,931,642 was uninsured, but was fully collateralized by securities placed with the respective bank escrow agents held in the City's name. As of December 31, 2018, the City's deposits were not exposed to custodial credit risk.

Investments

As of December 31, 2018, the City had the following investments:

| <u>Investment Type</u>    | <u>Fair-Value</u>    | <u>Cost Basis</u>    |
|---------------------------|----------------------|----------------------|
| PROPRIETARY FUNDS         |                      |                      |
| Internal Service Fund:    |                      |                      |
| Cash and Cash Equivalents | \$ 10,044,253        | \$ 10,044,253        |
| Corporate obligations:    |                      |                      |
| Corporate-Domestic bonds  | 6,593,922            | 6,746,027            |
| Governmental Securities:  |                      |                      |
| U.S. Government agencies  | <u>4,836,308</u>     | <u>4,925,901</u>     |
|                           | <u>\$ 21,474,483</u> | <u>\$ 21,716,181</u> |
| FIDUCIARY FUNDS           |                      |                      |
| Pension Trust Fund:       |                      |                      |
| Mutual Funds:             |                      |                      |
| Cash equivalents          | \$ 22,246,297        | \$ 22,246,297        |
| Equity Mutual funds       | 42,080,190           | 45,717,402           |
| Bond Mutual funds         | <u>28,437,263</u>    | <u>29,092,068</u>    |
|                           | <u>\$ 92,763,750</u> | <u>\$ 97,055,767</u> |

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 their 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.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

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

U.S. 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. U.S. 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.

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

U.S. 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 FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 3: FAIR-VALUE MEASUREMENTS (CONT'D)

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 financial 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, 2018:

| <u>Investment Type</u>      | <u>Fair-Value Measurement Using</u> |                             |                             |                             |
|-----------------------------|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                             | <u>Fair-Value</u>                   | <u>(Level 1)<br/>Inputs</u> | <u>(Level 2)<br/>Inputs</u> | <u>(Level 3)<br/>Inputs</u> |
| Internal Service Fund:      |                                     |                             |                             |                             |
| Corporate obligations:      |                                     |                             |                             |                             |
| Corporate-Domestic<br>bonds | \$ 6,593,922                        | \$ 6,593,922                | \$ -                        | \$ -                        |
| Governmental Securities:    |                                     |                             |                             |                             |
| U.S. Government<br>agencies | <u>4,836,308</u>                    | <u>4,836,308</u>            | <u>-</u>                    | <u>-</u>                    |
|                             | <u>\$ 11,430,230</u>                | <u>\$ 11,430,230</u>        | <u>\$ -</u>                 | <u>\$ -</u>                 |
| Pension Trust Fund:         |                                     |                             |                             |                             |
| Mutual Funds:               |                                     |                             |                             |                             |
| Equity mutual funds         | \$ 42,080,190                       | \$ 42,080,190               | \$ -                        | \$ -                        |
| Bond mutual funds           | <u>28,437,263</u>                   | <u>28,437,263</u>           | <u>-</u>                    | <u>-</u>                    |
|                             | <u>\$ 70,517,453</u>                | <u>\$ 70,517,453</u>        | <u>\$ -</u>                 | <u>\$ -</u>                 |

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 4: TAXES AND FEES RECEIVABLE

Taxes receivable in the general fund consist of the following at December 31, 2018:

|  |                      |
|--|----------------------|
| Real estate taxes                                | \$ 14,192,018        |
| Other taxes:                                     |                      |
| LST  | 1,262,800            |
| Earned Income                                    | 6,260,040            |
| Business Privilege                               | 18,615               |
| Real Estate Transfer Tax                         | <u>200,320</u>       |
|  | 21,933,793           |
| Less: allowance for uncollectible taxes and fees | <u>6,551,780</u>     |
|  | <u>\$ 15,382,013</u> |

Garbage fees receivable in the general fund are stated net of an allowance of \$4,365,362 at December 31, 2018.

NOTE 5: DUE TO/FROM OTHER FUNDS

The following summarizes receivables and payables between funds as of December 31, 2018:

|                          | <u>DUE FROM</u>     | <u>DUE TO</u>       |
|--------------------------|---------------------|---------------------|
| General Fund:            |                     |                     |
| OECD                     | \$ 35,673           | \$ -                |
| Special Cities           | 714,236             | 904,133             |
| Special Cities:          |                     |                     |
| General Fund             | 904,133             | 714,236             |
| OECD:                    |                     |                     |
| Redevelopment Authority  | 528,103             | -                   |
| General Fund             | -                   | 35,673              |
| Redevelopment Authority: |                     |                     |
| OECD                     | <u>-</u>            | <u>528,103</u>      |
|                          | <u>\$ 2,182,145</u> | <u>\$ 2,182,145</u> |

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

Governmental Activities

|   | <u>Beginning<br/>Balance</u> | <u>Increases/<br/>Reclassifications</u> | <u>Decreases/<br/>Reclassifications</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---|---|---------------------------|
| <b>GOVERNMENTAL ACTIVITIES:</b>                 |                              |   |   |                           |
| Capital assets, not being depreciated:          |                              |   |   |                           |
| Land  | \$ 3,485,506                 | \$ -                                    | \$ -                                    | \$ 3,485,506              |
| Construction-in-progress                        | <u>6,585,917</u>             | <u>2,345,418</u>                        | <u>-</u>                                | <u>8,931,335</u>          |
| <br>Total capital assets, not being depreciated | <br><u>\$ 10,071,423</u>     | <br><u>\$ 2,345,418</u>                 | <br><u>\$ -</u>                         | <br><u>\$ 12,416,841</u>  |
| Capital assets, being depreciated:              |                              |   |   |                           |
| Infrastructure                                  | \$ 132,206,565               | \$ -                                    | \$ -                                    | \$ 132,206,565            |
| Building  | 12,103,899                   | -                                       | -                                       | 12,103,899                |
| Land and building improvements                  | 8,699,878                    | -                                       | -                                       | 8,699,878                 |
| Vehicles, equipment and furniture               | <u>24,836,784</u>            | <u>2,842,589</u>                        | <u>-</u>                                | <u>27,679,373</u>         |
| <br>Total capital assets, being depreciated     | <br><u>177,847,126</u>       | <br><u>2,842,589</u>                    | <br><u>-</u>                            | <br><u>180,689,715</u>    |
| Less: Accumulated depreciation                  |                              |   |   |                           |
| Infrastructure                                  | (73,604,303)                 | (3,988,903)                             | -                                       | (77,593,206)              |
| Building  | (5,611,766)                  | (215,454)                               | -                                       | (5,827,220)               |
| Land and building improvements                  | (6,203,382)                  | (380,549)                               | -                                       | (6,583,931)               |
| Vehicles, equipment and furniture               | <u>(17,973,668)</u>          | <u>(1,193,799)</u>                      | <u>-</u>                                | <u>(19,167,467)</u>       |
| <br>Total accumulated depreciation              | <br><u>(103,393,119)</u>     | <br><u>(5,778,705)</u>                  | <br><u>-</u>                            | <br><u>(109,171,824)</u>  |
| <br>Total capital assets being depreciated, net | <br><u>\$ 74,454,007</u>     | <br><u>\$ (2,936,116)</u>               | <br><u>\$ -</u>                         | <br><u>\$ 71,517,891</u>  |
| <br>Capital assets, net                         | <br><u>\$ 84,525,430</u>     | <br><u>\$ (590,698)</u>                 | <br><u>\$ -</u>                         | <br><u>\$ 83,934,732</u>  |

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

|  |                         |
|--|-------------------------|
| <b>Governmental Activities:</b>                          |                         |
| General government - administrative                      | \$ 106,677              |
| Parks and recreation                                     | 720,740                 |
| Public safety and corrections                            | 4,512,025               |
| Community development                                    | 13,673                  |
| Public works   | <u>425,590</u>          |
| <br>Total depreciation expense - governmental activities | <br><u>\$ 5,778,705</u> |

NOTE 7: SHORT-TERM DEBT

During the year ended December 31, 2018, the City issued a tax anticipation note for \$12,750,000. The note was repaid, with interest, during the year for \$13,101,263.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

NOTE 8: LONG-TERM OBLIGATIONS

At December 31, 2018, general long-term debt obligations were as follows:

|   | Balance<br>Outstanding<br>December 31,<br><u>2017</u> | <u>Additions</u>     | <u>Reductions</u>    | Balance<br>Outstanding<br>December 31,<br><u>2018</u> | Amounts<br>Due<br>Within One<br><u>Year</u> |
|---|---|----------------------|----------------------|---|---|
| General Obligation Bonds:                     |   |                      |                      |   |   |
| Emmaus General Authority Series 2002          | \$ 4,105,000  | \$ -                 | \$ 310,000           | \$ 3,795,000  | \$ 325,000                                  |
| Series A and AA of 2016                       | 37,175,000  | -                    | 2,605,000            | 34,570,000  | 2,755,000                                   |
| Series A of 2017                              | <u>24,620,000</u>                                     | <u>-</u>             | <u>2,000,000</u>     | <u>22,620,000</u>                                     | <u>2,100,000</u>                            |
| Total General Obligation Bonds                | <u>65,900,000</u>                                     | <u>-</u>             | <u>4,915,000</u>     | <u>60,985,000</u>                                     | <u>5,180,000</u>                            |
| General Obligation Notes:                     |   |                      |                      |   |   |
| Series of 2016                                | 32,840,000  | -                    | 235,000              | 32,605,000  | 245,000                                     |
| Series of 2018                                | <u>-</u>  | <u>22,990,000</u>    | <u>-</u>             | <u>22,990,000</u>                                     | <u>-</u>                                    |
| Total General Obligation Notes                | <u>32,840,000</u>                                     | <u>22,990,000</u>    | <u>235,000</u>       | <u>55,595,000</u>                                     | <u>245,000</u>                              |
| Notes Payable:                                |   |                      |                      |   |   |
| DCED Act 47 Loan                              | 500,000   | -                    | 100,000              | 400,000   | 100,000                                     |
| PIB Loan                                      | 1,822,794   | -                    | 215,442              | 1,607,352   | 218,647                                     |
| 2018 Tax Anticipation Note                    | <u>-</u>  | <u>12,750,000</u>    | <u>12,750,000</u>    | <u>-</u>  | <u>-</u>                                    |
| Total Notes Payable                           | <u>2,322,794</u>                                      | <u>12,750,000</u>    | <u>13,065,442</u>    | <u>2,007,352</u>                                      | <u>318,647</u>                              |
| Total Long-Term Debt Obligations              | 101,062,794   | 35,740,000           | 18,215,442           | 118,587,352   | 5,743,647                                   |
| Lease Obligations Payable:                    |   |                      |                      |   |   |
| Capitalized Equipment Leases                  | <u>1,017,687</u>                                      | <u>1,944,539</u>     | <u>651,514</u>       | <u>2,310,712</u>                                      | <u>587,894</u>                              |
| Total Long-Term Obligations                   | <u>\$ 102,080,481</u>                                 | <u>\$ 37,684,539</u> | <u>\$ 18,866,956</u> | <u>\$ 120,898,064</u>                                 | <u>\$ 6,331,541</u>                         |
| Other Long-Term Liabilities:                  |   |                      |                      |   |   |
| Worker's compensation claims                  | \$ 21,559,564   | \$ -                 | \$ 4,477,586         | \$ 17,081,978   | \$ -  |
| Net other post-employment benefit obligations | 208,162,946   | 1,854,834            | -                    | 210,017,780   | -   |
| Net pension liability                         | 92,234,376  | -                    | 17,187,126           | 75,047,250  | -   |
| Compensated absences                          | <u>3,310,745</u>                                      | <u>396,260</u>       | <u>-</u>             | <u>3,707,005</u>                                      | <u>-</u>                                    |
| Total Other Long-Term Liabilities             | <u>\$ 325,267,631</u>                                 | <u>\$ 2,251,094</u>  | <u>\$ 21,664,712</u> | <u>\$ 305,854,013</u>                                 | <u>\$ -</u>                                 |

A summary of long-term debt outstanding at December 31, 2018 is as follows:

General Obligation Bonds

Emmaus General Authority Series

Variable rate demand bonds. Series of 1996 of Emmaus General Authority, due in annual principal installments of \$190,000 to \$440,000, commencing August 2004 through August 2028. Monthly payments of interest based upon a pro rata share of the interest accrued on the variable rate bonds calculated by the administrator using the interest rates determined by the remarketing agent for the current month plus interest at the rate estimated by the administrator. The interest rate at December 31, 2018 was 3.90%.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

NOTE 8: LONG-TERM OBLIGATIONS (CONT'D)

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 an interest rate of 5.00% and 5.25%, respectively. Principal and interest are due each year in May and November through November 2026 and November 2028, 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. The City has covenanted that it will include in its budget in each fiscal year the amount required to pay debt service on the bonds for such year, it will appropriate from its general revenues in each such fiscal year, the amount required to pay debt service on the bonds for such year, and it will duly and punctually pay or cause to be paid when due, from its sinking fund or any other of its revenues or funds, the principal of and interest on the bonds at the dates and place and in the manner stated therein, according to the true intent and meaning thereof.

Future debt service requirements on general obligation bonds as of December 31, 2018 are as follows:

| <u>Years Ending<br/>December 31,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--------------------------------------|----------------------|----------------------|----------------------|
| 2019                                 | \$ 5,180,000         | \$ 3,006,550         | \$ 8,186,550         |
| 2020                                 | 5,445,000            | 2,750,963            | 8,195,963            |
| 2021                                 | 5,735,000            | 2,482,188            | 8,217,188            |
| 2022                                 | 6,170,000            | 2,198,975            | 8,368,975            |
| 2023                                 | 6,590,000            | 1,894,150            | 8,484,150            |
| 2024 - 2028                          | 27,215,000           | 5,000,800            | 32,215,800           |
| 2029                                 | <u>4,650,000</u>     | <u>232,500</u>       | <u>4,882,500</u>     |
|                                      | <u>\$ 60,985,000</u> | <u>\$ 17,566,126</u> | <u>\$ 78,551,126</u> |

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 8: LONG-TERM OBLIGATIONS (CONT'D)

General Obligation Notes

General Obligations Notes, 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 Obligations Notes, Series of 2018

On December 17, 2018, the City of Scranton, in accordance with the Local Governmental Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a) issued \$22,990,000 of General Obligation Notes with a variable interest rate at one month LIBOR plus 220 basis points (currently 4.72%). The notes are secured by a bank account at Webster Bank with the account maintaining at least 75% of the outstanding loan. Proceeds of the note were used to partially fund the City's pension plans. Interest is payable on June 1st and December 1st, each year with final maturity on December 1, 2023.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 8: LONG-TERM OBLIGATIONS (CONT'D)

General Obligation Notes (Cont'd)

Future debt service requirements on general obligation notes as of December 31, 2018 are as follows:

| <u>Years Ending<br/>December 31,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--------------------------------------|----------------------|----------------------|----------------------|
| 2019                                 | \$ 245,000           | \$ 2,838,502         | \$ 3,083,502         |
| 2020                                 | 5,555,000            | 2,882,450            | 8,437,450            |
| 2021                                 | 5,855,000            | 2,578,226            | 8,433,226            |
| 2022                                 | 6,180,000            | 2,257,550            | 8,437,550            |
| 2023                                 | 6,510,000            | 1,919,076            | 8,429,076            |
| 2024 - 2028                          | 13,565,000           | 6,853,250            | 20,418,250           |
| 2029 - 2032                          | <u>17,685,000</u>    | <u>2,004,000</u>     | <u>19,689,000</u>    |
|                                      | <u>\$ 55,595,000</u> | <u>\$ 21,333,054</u> | <u>\$ 76,928,054</u> |

Notes Payable

DCED Act 47 Loan

On September 12, 2012, the City borrowed \$2,000,000, non-interest 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 2025.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 8: LONG-TERM OBLIGATIONS (CONT'D)

Notes Payable (Cont'd)

Future debt service requirements on notes payable as of December 31, 2018 are as follows:

| <u>Years Ending<br/>December 31,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|--------------------------------------|---------------------|-------------------|---------------------|
| 2019                                 | \$ 318,647          | \$ 26,322         | \$ 344,969          |
| 2020                                 | 322,227             | 22,742            | 344,969             |
| 2021                                 | 325,865             | 19,104            | 344,969             |
| 2022                                 | 329,562             | 15,406            | 344,968             |
| 2023                                 | 233,257             | 11,554            | 244,811             |
| 2024 - 2025                          | <u>477,794</u>      | <u>12,187</u>     | <u>489,981</u>      |
| Total                                | <u>\$ 2,007,352</u> | <u>\$ 107,315</u> | <u>\$ 2,114,667</u> |

Capitalized Leases

The City has entered into various leases for equipment with a net value of \$2,484,029 at December 31, 2018 payable in annual installments including interest from 3.25% to 5.00%, with final payments through August 2026.

The debt service for capitalized leases is as follows for governmental activities:

| <u>Years Ending<br/>December 31,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|--------------------------------------|---------------------|-------------------|---------------------|
| 2019                                 | \$ 587,894          | \$ 82,230         | \$ 670,124          |
| 2020                                 | 389,035             | 60,895            | 449,930             |
| 2021                                 | 352,406             | 47,276            | 399,682             |
| 2022                                 | 339,159             | 35,071            | 374,230             |
| 2023                                 | 357,320             | 23,076            | 380,396             |
| 2024 - 2026                          | <u>284,898</u>      | <u>21,571</u>     | <u>306,469</u>      |
| Total                                | <u>\$ 2,310,712</u> | <u>\$ 270,119</u> | <u>\$ 2,580,831</u> |

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 9: OPERATING LEASES**

The City has entered into a lease with 233 Genesse Street Corporation for certain improvements to the City's street lights. The \$4,000,000 lease agreement requires annual principal and interest payments at 3.5% through May 1, 2027. The City may cancel the lease with written notice of termination at least 60 days prior to the end of the current fiscal period if sufficient funds have not been appropriated for the payment of all rental payments required to be paid during the next fiscal year.

Annual principal and interest payments under the lease are as follows:

| <u>Years Ending<br/>December 31,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|--------------------------------------|---------------------|-------------------|---------------------|
| 2019                                 | \$ 300,702          | \$ 120,774        | \$ 421,476          |
| 2020                                 | 319,688             | 110,079           | 429,767             |
| 2021                                 | 339,509             | 98,709            | 438,218             |
| 2022                                 | 359,746             | 86,633            | 446,379             |
| 2023                                 | 381,312             | 73,838            | 455,150             |
| 2024 - 2027                          | <u>1,694,724</u>    | <u>151,554</u>    | <u>1,846,278</u>    |
|                                      | <u>\$ 3,395,681</u> | <u>\$ 641,587</u> | <u>\$ 4,037,268</u> |

**NOTE 10: INTERFUND TRANSFERS**

Interfund transfers during the year ended December 31, 2018, were as follows:

| <u>Operating Transfers</u> | <u>In</u>           | <u>Out</u>          |
|----------------------------|---------------------|---------------------|
| General Fund               |                     |                     |
| Debt Service Fund          | \$ -                | \$ 510,000          |
| Liquid Fuels Fund          | 1,791,790           | -                   |
| Special Cities             | -                   | 1,622,398           |
| Special Cities             |                     |                     |
| General Fund               | 1,622,398           | -                   |
| Debt Service               |                     |                     |
| General Fund               | 510,000             | -                   |
| Liquid Fuels               |                     |                     |
| General Fund               | <u>-</u>            | <u>1,791,790</u>    |
|                            | <u>\$ 3,924,188</u> | <u>\$ 3,924,188</u> |

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 11: 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.

Worker's Compensation

The City's risk management activities for workman's compensation are reported within governmental activities and recorded in the workman's 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.

The accrued workers' compensation claim loss reserve of \$17,081,978 as of December 31, 2018, was determined by an actuary and represents the discounted present value of expected losses using a 3.00% interest factor. The actuarial value was determined as of September 28, 2018. The amount of workers' compensation claims operating expense (income) for the Internal Service fund for the year ended December 31, 2018 is as follows:

|  |                       |
|--|-----------------------|
| Claims and cost paid                           | \$ 2,103,868          |
| Decrease in actuarial discounted loss reserves | <u>(4,477,586)</u>    |
| Workers' compensation claims, net              | <u>\$ (2,373,718)</u> |

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

| <u>Year Ended</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> |
|-------------------|----------------------------------|---|-----------------------|----------------------------|
| 12/31/2017        | \$ 18,409,101                    | \$ 5,260,201  | \$ 2,109,738          | \$21,559,564               |
| 12/31/2018        | \$ 21,559,564                    | \$ (2,373,718)                                      | \$ 2,103,868          | \$17,081,978               |

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 11: RISK MANAGEMENT (CONT'D)

Other

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.

At December 31, 2018, the City's self-insured retention limits are as follows:

| <u>Type of Coverage</u>      | <u>Self-Insurance<br/>Retention (SIR)<br/>(All claims up to)</u> | <u>Excess Coverage<br/>Policy<br/>From SIR up to)</u> |
|------------------------------|--|---|
| General Liability            | \$ 50,000  | \$ 950,000  |
| Law Enforcement Liability    | \$ 150,000   | \$ 850,000  |
| Public Officials Liability   | \$ 50,000  | \$ 950,000  |
| Property                     | \$ 25,000  | \$ 53,518,642   |
| Automobile Liability         | \$ 50,000  | \$ 950,000  |
| Excess Workers' Compensation | \$ 1,000,000   | Unlimited   |
| Boiler and Machinery         | \$ 25,000  | \$ 53,518,642   |

NOTE 12: 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 non-uniformed pension plans (the "Plans"). The Pennsylvania Act 205 and the City's Home Rule Charter assign the Authority to establish and amend benefit provisions to the Pension Fund Board as authorized by City Council. The 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 credit 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 non-uniformed 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.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 12: PENSION PLANS - DEFINED BENEFIT (CONT'D)

Plan Description (Cont'd)

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.

Plan Membership

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

|  | Police<br>Pension<br><u>Plan</u> | Firemen<br>Pension<br><u>Plan</u> | Non-Uniformed<br>Pension<br><u>Plan</u> |
|--|----------------------------------|-----------------------------------|---|
| Inactive plan members currently receiving benefits               | 176                              | 216                               | 119                                     |
| Inactive plan members entitled to but not yet receiving benefits | -                                | 1                                 | 5                                       |
| Active plan members  | <u>145</u>                       | <u>136</u>                        | <u>135</u>                              |
| Total  | <u>321</u>                       | <u>353</u>                        | <u>259</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 for fiscal year 2018. Non-uniformed nonunion employees are required to contribute 3% of covered payroll but not more than \$24 per month if hired before July 1, 1987. Non-uniformed nonunion employees shall contribute \$22 per month if hired after July 1, 1987 or amounts as determined by ordinance.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 12: PENSION PLANS - DEFINED BENEFIT (CONT'D)

Plan Contributions (Cont'd)

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, 2017. 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, 2018.

Contributions, based on the MMO, in 2018 consisted of the following:

|              | Police<br>Pension<br><u>Plan</u> | Firemen<br>Pension<br><u>Plan</u> | Non-Uniformed<br>Pension<br><u>Plan</u> | <u>Total</u>         |
|--------------|----------------------------------|-----------------------------------|---|----------------------|
| City         | \$ 2,519,962                     | \$ 4,509,233                      | \$ -                                    | \$ 7,029,195         |
| Commonwealth | <u>1,522,058</u>                 | <u>1,400,263</u>                  | <u>759,299</u>                          | <u>3,681,620</u>     |
| Total        | <u>\$ 4,042,020</u>              | <u>\$ 5,909,496</u>               | <u>\$ 759,299</u>                       | <u>\$ 10,710,815</u> |

Plan Investments

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, 2018 is as follows:

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 12: PENSION PLANS - DEFINED BENEFIT (CONT'D)

Plan Investments (Cont'd)

| <u>Asset Class</u>            | <u>Target</u> | <u>Long-term Expected<br/>Real Rate of Return</u> |
|-------------------------------|---------------|---|
| US Equity                     | 36.00%        | 5.00%   |
| International Equity          | 13.50%        | 4.90%   |
| Emerging Equity               | 5.50%         | 5.00%   |
| Core Fixed Income             | 20.00%        | 2.60%   |
| Intermediate Inv. Grade Corp. | 10.00%        | 3.60%   |
| High Yield                    | 5.00%         | 4.10%   |
| Emerging Debt                 | 5.00%         | 4.20%   |
| Cash                          | <u>0.00%</u>  | <u>1.00%</u>                                      |
| Total Net Blended Return      |               | <u>4.08%</u>                                      |

\* Excludes 2.50% inflation assumption.

Long-term Expected Rate of Return (Including Inflation) 6.58%

For the year ended December 31, 2018, the annual money weighted rate of return on pension plan investments, net of investment expense was -4.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

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 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

NOTE 12: PENSION PLANS - DEFINED BENEFIT (CONT'D)

|                              | 1%<br>Decrease<br><u>6.50%</u> | Current<br>Discount<br>Rate<br><u>7.50%</u> | 1%<br>Increase<br><u>8.50%</u> |
|------------------------------|--------------------------------|---|--------------------------------|
| <u>Net Pension Liability</u> |                                |   |                                |
| Police Pension Plan          | <u>\$ 34,903,153</u>           | <u>\$ 26,768,481</u>                        | <u>\$ 19,835,056</u>           |
| Firemen Pension Plan         | <u>\$ 52,246,521</u>           | <u>\$ 44,489,568</u>                        | <u>\$ 37,818,109</u>           |
| Non-Uniformed Pension Plan   | <u>\$ 4,684,224</u>            | <u>\$ 3,789,201</u>                         | <u>\$ 3,005,163</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, 2018. The City's pension plans' total pension liability as of December 31, 2018 was \$167,859,244, less the City pension plans' fiduciary net position of \$92,811,994 resulting in a net pension liability of \$75,047,250 at December 31, 2018. Accordingly, as of December 31, 2018, the City reported a net pension liability in the government-wide statement of net-position. For the year ended December 31, 2018, the City recognized net pension expense of approximately \$(496,000). At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the City pension plans from the following sources:

| <u>Description</u>                                     | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Net difference between expected and actual experience: |   |  |
| Police pension plan                                    | \$ -  | \$ (4,938,386)                               |
| Firemen pension plan                                   | -   | (1,874,164)                                  |
| Non-uniformed pension plan                             | -   | (1,544,295)                                  |
| Changes in assumptions:                                |   |  |
| Police pension plan                                    | -   | (13,100,683)                                 |
| Firemen pension plan                                   | -   | (12,151,018)                                 |
| Non-uniformed pension plan                             | 431,135                                       | -  |

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

NOTE 12: PENSION PLANS - DEFINED BENEFIT (CONT'D)

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

| <u>Description</u>   | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---------------------------------------|--------------------------------------|
| Net difference between projected and actual earnings on pension plan investments |                                       |                                      |
| Police pension plan  | 3,418,266                             | -                                    |
| Firemen pension plan   | 2,139,334                             | -                                    |
| Non-uniformed pension plan   | <u>401,150</u>                        | <u>-</u>                             |
|  | <u>\$ 6,389,885</u>                   | <u>\$ (33,608,546)</u>               |

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

| <u>Year Ended December 31,</u> | <u>Police Pension Plan</u> | <u>Firemen Pension Plan</u> | <u>Non-Uniform Pension Plan</u> |
|--------------------------------|----------------------------|-----------------------------|---------------------------------|
| 2019                           | \$ (3,368,698)             | \$ (4,796,555)              | \$ (244,473)                    |
| 2020                           | (4,161,920)                | (5,493,704)                 | (292,640)                       |
| 2021                           | (4,130,448)                | (2,279,510)                 | (289,316)                       |
| 2022                           | <u>(2,959,737)</u>         | <u>683,921</u>              | <u>114,419</u>                  |
|                                | <u>\$ (14,620,803)</u>     | <u>\$ (11,885,848)</u>      | <u>\$ (712,010)</u>             |

NOTE 13: PENSION PLAN - DEFINED CONTRIBUTION

The City contributes to a union sponsored, multi-employer 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, 2018, the City contributed \$487,901 to this plan.

NOTE 14: 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 (other post-employment benefit plan ("OPEB")). The H & W Plans provide medical coverage to eligible retirees and their dependents who meet specific criteria.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

Plan Description (Cont'd)

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 an 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, 2018:

|   | Police<br>H & W<br><u>Plan</u> | Firemen<br>H & W<br><u>Plan</u> | Non-Uniformed<br>H & W<br><u>Plan</u> |
|---|--------------------------------|---------------------------------|---------------------------------------|
| Inactive employees or beneficiaries currently receiving benefit | 167                            | 189                             | 99                                    |
| Inactive employees entitled to but not yet receiving benefit    | 136                            | 112                             | 171                                   |
| Active employees  | <u>11</u>                      | <u>25</u>                       | <u>15</u>                             |
| Total   | <u>314</u>                     | <u>326</u>                      | <u>285</u>                            |

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. As of December 31, 2018, no trust has been established for the funding of the H & W Plan's post-employment benefit obligation.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.75%) or 1-percentage point higher (4.75%) than the current discount rate:

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

Sensitivity of the total OPEB liability to changes in the discount rate (Cont'd)

|                         | 1%<br>Decrease<br><u>2.75%</u> | Discount<br>Rate<br><u>3.75%</u> | 1%<br>Increase<br><u>4.75%</u> |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| <u>OPEB Liability</u>   |                                |                                  |                                |
| Police OPEB Plan        | <u>\$102,283,549</u>           | <u>\$ 91,191,388</u>             | <u>\$ 81,813,528</u>           |
| Firemen OPEB Plan       | <u>\$ 94,485,849</u>           | <u>\$ 85,178,443</u>             | <u>\$ 77,276,049</u>           |
| Non-Uniformed OPEB Plan | <u>\$ 36,577,528</u>           | <u>\$ 33,647,949</u>             | <u>\$ 31,097,686</u>           |

NOTE 15: FUND BALANCE

The following is a summary of the governmental fund balances of the City at December 31, 2018:

General Fund:

|                                 |                   |
|---------------------------------|-------------------|
| Restricted:                     |                   |
| Debt payments                   | \$ 486,080        |
| Externally imposed restrictions | 24,081,778        |
| Assigned                        | 4,769,204         |
| Unassigned                      | <u>4,324,000</u>  |
| Total General Fund balance      | <u>33,661,062</u> |

OECD Fund:

|                                 |                |
|---------------------------------|----------------|
| Restricted:                     |                |
| Externally imposed restrictions | <u>545,865</u> |

Special Cities Fund:

|                  |                  |
|------------------|------------------|
| Assigned:        |                  |
| Special projects | <u>3,101,436</u> |

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 15: FUND BALANCE (CONT'D)

Non-major Funds

|                                     |                          |
|-------------------------------------|--------------------------|
| Non-spendable:                      |                          |
| Property held for resale            | 98,365                   |
| Restricted:                         |                          |
| Roads and streets                   | 657,107                  |
| Externally imposed restrictions     | 532,315                  |
| Assigned:                           |                          |
| Debt payments                       | 140,905                  |
| Unassigned                          | <u>(514,363)</u>         |
| <br>Total Non-major Funds:          | <br><u>914,329</u>       |
| <br>Total Governmental Fund Balance | <br><u>\$ 38,222,692</u> |

NOTE 16: 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 75% of the total taxes collected by the City in 2018. 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 17: RELATED PARTY TRANSACTIONS

The City paid approximately \$746,219 to the Single Tax Office to subsidize certain operating costs of this entity. The Single Tax Office collected approximately \$40.18 million of tax revenues on behalf of the City in 2018.

NOTE 18: COMMITMENTS AND CONTINGENCIES

Litigation

The City is named as a party in 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. All amounts in connection with lawsuits in which a loss is probable have been included within the financial statements as of December 31, 2018.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 18: COMMITMENTS AND CONTINGENCIES (CONT'D)

Collective Bargaining Agreements

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

NOTE 19: DISTRESSED MUNICIPALITY STATUS

In 1992, the Pennsylvania Department of Community and Economic Development ("DCED") declared the City a distressed municipality under the Financially Distressed Municipalities Act (the "Act"). DCED then appointed the Pennsylvania Economy League ("PEL") as a coordinator to administer a recovery plan for the City pursuant to this Act.

Pursuant to an act of the Pennsylvania General Assembly, Act 199 of 2014 (the "Act 199") which amended Act 47, a financially distressed municipality may adopt a three-year exit plan. On July 27, 2017, the Scranton City Council adopted by ordinance the Act 47 Exit Plan for the City of Scranton (the "2017 Exit Plan") prepared by PEL. The Mayor signed the Council adopted ordinance on July 28, 2017. Act 199 requires that before the end of the City's three-year Exit Plan, PEL will make a written recommendation to the Secretary of DCED (the "Secretary") recommending the Secretary make a determination to terminate the City's financially distressed status or a determination that a fiscal emergency exists.

The City's adopted 2017 Exit Plan provides the fiscal framework for the City's governing bodies to follow through 2020. The 2017 Exit Plan and its provisions outlined below are designed to restore long-term fiscal stability, budgetary predictability, and the repair of the City's credit worthiness.

The following are provisions contained in the 2017 Exit Plan:

- The City is required to continue to annually petition the Lackawanna County Court of Common Pleas to increase the Local Services Tax ("LST") from \$52 to \$156 per year during the term of the 2017 Exit Plan. The City is permitted to maintain this LST authority upon termination of its financially distressed status without Court of Common Pleas approval as long as the City's pension system is moderately or severely distress as defined in §503 of Act 205 of 1984, as amended, and known as the Municipal Pension Plan Funding Standard and Recovery Act.
- The City is required to comply with the individual collective bargaining expenditure limitations contained in the 2017 Exit Plan as required by Act 133 of 2012.
- The City is required to use its best efforts to implement the labor cost containment provisions contained in the 2017 Exit Plan.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 19: DISTRESSED MUNICIPALITY STATUS (CONT'D)

- Requires the City to pursue opportunities to further reduce its annual debt service load through defeasing and/or restructuring outstanding bonds previously issued by the City.
- Advises the City to use the remaining proceeds of the 2016 sale of the Scranton Sewer Authority assets to reduce long-term liabilities of the City including other outstanding debt and pension obligations and also to provide a portion of the SSA sale proceeds to fund economic development initiatives, provide funding for capital programs and to support City storm water management programs.
- Advises the City to develop and implement a debt management policy.
- Advises the City to develop a fund balance policy.
- Advises the City to develop an investment policy and program.
- Recommends that the City continue its positive working relationship with the PA Department of Labor and Industry in reducing the City's workers' compensation liability.
- Along with the aforementioned use of SSA sale proceeds to reduce the City's long-term pension liability, the 2017 Exit Plan recommends that the City further reduce its pension investment rate of return assumption and to continue to seek increases in the employee funding percentage.
- Supports the City's efforts to hire a third-party administrator oversee management of the City's disability pensions.
- Along with the aforementioned use of SSA sale proceeds to fund economic development initiatives, the 2017 Exit Plan also recommends that the City adopt the Strategic Downtown Economic Development Plan developed by the National Resource Network.
- The 2017 Exit Plan recommends that the City review the neutral transition to a payroll preparation tax from the current business privilege and mercantile tax levies. The City is only permitted to make this transition while it is a designated financially distressed municipality.
- The 2017 Exit Plan recommends that the City review its fee schedule for all services and permits to ensure that the costs incurred by the City for these services is fully recovered.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 19: DISTRESSED MUNICIPALITY STATUS (CONT'D)

- Recommends that the City engage a qualified consultant to perform an employee position, compensation and classification study.
- Recommends that the City will continue its review of healthcare and related programs to reduce the rate of increase in employee healthcare costs.
- Recommends that the City undertake an analysis of the status of properties presently exempt from taxation.
- Recommends that the City will continue to use its real estate taxing authority to eliminate operating deficits projected to occur through 2020 if the implementation of the 2017 Exit Plan's comprehensive mandates are not authorized.

NOTE 20: SEWER AUTHORITY

During the year ended December 31, 2016, the Sewer Authority was sold to a third party. 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. The third-party paid \$195,000,000 for the Sewer Authority, of which \$67,065,588 was used to pay off the defeased Sewer Authority debt. Additionally, the Borough of Dunmore, Pennsylvania ("Dunmore") received \$16,626,366 for their share of the sale and received \$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 amount. 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 up keep of certain storm water assets with the seller and Dunmore. Management believes such upkeep will be de minimis to the City.

NOTE 21: OPERATIONS

As of December 31, 2018, the City's governmental activities net position was a deficit of \$302,080,454. Total liabilities were \$445,502,377 as of December 31, 2018 of which \$427,728,946 related to long-term debt obligations, \$75,047,250 related to net pension liability and \$210,017,780 related to other post-employment benefits. The City made governmental activities debt service payments of \$6,399,478 during 2018, compared to total governmental revenue of \$108,755,929 for 2018. Total property and ACT 511 taxes were \$76,904,805 compared to a net deficit of \$302,080,454 for 2018 in the governmental activities. The City's total general fund revenues were \$990,022,023 of which \$30,913,166 were related to real estate taxes. The City is considered a distressed municipality under Act 47. The City has included its recovery plan in footnote 19.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 22: ACCOUNTING CHANGE AND RESTATEMENT

Governmental Activities - Implementation of New Accounting Standard

The City implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*, which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In accordance with implementation of this statement, a prior-period adjustment is required in the governmental activities to restate OPEB liabilities as of December 31, 2017.

Governmental Activities - Correction of Errors

During the year ended December 31, 2017, the City repaid the 2006 capitalized building lease with proceeds from the 2016 Scranton Sewer Authority sale. The prior year financial statements incorrectly reported an ending balance of the capitalized building lease of \$7,705,000.

The December 31, 2017 balance sheet of the special cities fund overstated the amount of unearned revenue.

The year ended December 31, 2017 financial statements of the debt service fund did not report the activity of the fund.

The cumulative effect of this accounting change and these corrections is as follows:

|  |                         |
|--|-------------------------|
| Net Position - As previously reported            | \$ (169,265,508)        |
| Change in accounting principle                   | (161,702,149)           |
| Overstatement of 2006 capitalized building lease | 7,705,000               |
| Errors in special cities fund                    | 1,054,565               |
| Errors in debt service                           | <u>(547,870)</u>        |
| Net Position - As restated                       | <u>\$ (322,755,962)</u> |

Business-Type Activities - Enterprise Fund

The December 31, 2017 financial statements of the Scranton Sewer Authority contained an understatement of accrued expenses related to improvements of the capital assets sold to PAWC, equipment rentals, employee benefits, and easements.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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NOTE 22: ACCOUNTING CHANGE AND RESTATEMENT (CONT'D)

Business-Type Activities - Enterprise Fund (Cont'd)

The cumulative effect of these corrections is as follows:

|                                       |                      |
|---------------------------------------|----------------------|
| Net Position - As previously reported | \$ 17,729,654        |
| Understatement of accrued expenses    | <u>(230,754)</u>     |
| Net Position - As restated            | <u>\$ 17,498,900</u> |

Special Cities Fund

The restatement for the error in reporting deferred revenue is as follows:

|                                       |                     |
|---------------------------------------|---------------------|
| Fund Balance - As previously reported | \$ 373,788          |
| Overstatement of deferred revenue     | <u>1,054,565</u>    |
| Fund Balance - As restated            | <u>\$ 1,428,353</u> |

Debt Service Fund

|                                       |                  |
|---------------------------------------|------------------|
| Fund Balance - As previously reported | \$ 631,658       |
| Reporting error                       | <u>(547,870)</u> |
| Fund Balance - As restated            | <u>\$ 83,788</u> |

NOTE 23: SUBSEQUENT EVENTS

In July 2019, the City leased two rear loader trucks. The lease requires annual lease payments of \$89,938 through September 2023.

In December 2019, a Lackawanna County judge ruled against the City in a lawsuit which alleges that the City's Act 511 taxes violate the statutory cap provided for in Act 511. The City is vigorously defending its position and is appealing this matter in Commonwealth Court. If the plaintiffs in the suit prevail, the City's ability to levy and collect Act 511 taxes could be significantly diminished and may result in the requirement that the City set aside approximately \$40,000,000 in taxes collected in excess of the statutory cap.

**CITY OF SCRANTON, PENNSYLVANIA**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
POLICE PENSION PLAN  
UNAUDITED  
DECEMBER 31, 2018**

|  | <u>2018</u>          | <u>2017</u>          | <u>2016</u>           | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|-----------------------|----------------------|----------------------|
| Total Pension Liability:   |                      |                      |                       |                      |                      |
| Service cost   | \$ 1,109,820         | \$ 1,062,029         | \$ 1,300,741          | \$ 1,238,801         | \$ 1,093,805         |
| Interest   | 5,569,195            | 5,475,400            | 7,797,729             | 7,519,247            | 7,050,809            |
| Differences between expected and actual experience                           | -                    | (7,477,628)          | -                     | (218,430)            | -                    |
| Changes of assumptions   | -                    | (20,511,936)         | -                     | 3,149,169            | -                    |
| Benefit payments, including refunds of member contributions                  | <u>(5,330,472)</u>   | <u>(5,338,761)</u>   | <u>(5,334,183)</u>    | <u>(5,343,755)</u>   | <u>(5,385,590)</u>   |
| Net Change in Total Pension Liability  | 1,348,543            | (26,790,896)         | 3,764,287             | 6,345,032            | 2,758,670            |
| Total Pension Liability - Beginning  | <u>75,811,350</u>    | <u>102,602,246</u>   | <u>98,837,959</u>     | <u>92,492,927</u>    | <u>89,734,257</u>    |
| Total Pension Liability - Ending   | <u>\$ 77,159,893</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   | \$ 12,903,789        | \$ 6,647,833         | \$ 5,006,025          | \$ 4,041,361         | \$ 3,975,175         |
| Contributions - State Aid  | 1,522,058            | 1,348,946            | 1,268,647             | 1,129,200            | 1,107,586            |
| Contributions - Member   | 643,578              | 645,078              | 754,378               | 420,859              | 350,984              |
| Net investment income  | (1,841,689)          | 4,364,702            | 2,556,892             | 115,460              | 1,754,307            |
| Benefit payments, including refunds of member contributions                  | (5,330,472)          | (5,338,761)          | (5,334,183)           | (5,343,755)          | (5,385,989)          |
| Administrative expense   | <u>(148,449)</u>     | <u>(64,224)</u>      | <u>(56,185)</u>       | <u>(42,686)</u>      | <u>(44,009)</u>      |
| Net Change in Plan Fiduciary Net Position                                    | 7,748,815            | 7,603,574            | 4,195,574             | 320,439              | 1,758,054            |
| Total Plan Fiduciary Net Position - Beginning                                | <u>42,542,597</u>    | <u>34,939,023</u>    | <u>30,743,449</u>     | <u>30,423,010</u>    | <u>28,664,956</u>    |
| Total Plan Fiduciary Net Position - Ending                                   | <u>\$ 50,291,412</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   | <u>\$ 26,768,481</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   | <u>65.3%</u>         | <u>56.1%</u>         | <u>34.1%</u>          | <u>31.1%</u>         | <u>32.9%</u>         |
| Covered employee payroll   | <u>\$ 10,800,000</u> | <u>\$ 11,000,000</u> | <u>\$ 10,100,000</u>  | <u>\$ 9,700,000</u>  | <u>\$ 8,700,000</u>  |
| Plan's net pension liability as a percentage of the covered employee payroll | <u>247.9%</u>        | <u>302.4%</u>        | <u>669.9%</u>         | <u>702.0%</u>        | <u>713.4%</u>        |

See independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS (CONT'D)  
POLICE PENSION PLAN  
UNAUDITED  
DECEMBER 31, 2018**

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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 investment return rate assumption was changed from 8.0% to 7.5% per annum, salary rates changed from 5.0% to 4.5%, cost of living adjustment assumption was removed.

Note: 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 independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
FIREMEN PENSION PLAN  
UNAUDITED  
DECEMBER 31, 2018**

|  | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability:   |                      |                      |                      |                      |                      |
| Service Cost   | \$ 985,136           | \$ 942,714           | \$ 998,710           | \$ 951,152           | \$ 877,594           |
| Interest   | 5,842,733            | 5,826,106            | 8,107,968            | 7,914,310            | 7,523,591            |
| Changes of benefit terms   | -                    | -                    | -                    | -                    | -                    |
| Differences between expected and actual experience                           | -                    | (3,178,426)          | -                    | (784,286)            | -                    |
| Changes of assumptions   | -                    | (23,063,685)         | -                    | 3,694,635            | -                    |
| Benefit payments, including refunds of member contributions                  | <u>(6,691,395)</u>   | <u>(6,487,711)</u>   | <u>(6,465,804)</u>   | <u>(6,518,785)</u>   | <u>(6,483,409)</u>   |
| Net Change in Total Pension Liability  | 136,474              | (25,961,002)         | 2,640,874            | 5,257,026            | 1,917,776            |
| Total Pension Liability - Beginning  | <u>80,263,667</u>    | <u>106,224,669</u>   | <u>103,583,795</u>   | <u>98,326,769</u>    | <u>96,408,993</u>    |
| Total Pension Liability - Ending   | <u>\$ 80,400,141</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   | \$ 14,893,060        | \$ 8,262,627         | \$ 6,087,485         | \$ 5,011,978         | \$ 4,928,939         |
| Contributions - State Aid  | 1,400,263            | 1,238,828            | 1,023,667            | 1,011,575            | 1,006,897            |
| Contributions - Member   | 603,523              | 612,845              | 751,112              | 378,642              | 325,302              |
| Net investment income  | (1,314,210)          | 2,792,721            | 1,522,810            | 67,227               | 1,031,379            |
| Benefit payments, including refunds of member contributions                  | (6,691,385)          | (6,487,711)          | (6,465,804)          | (6,518,785)          | (6,483,409)          |
| Administrative expense   | <u>(46,409)</u>      | <u>(57,437)</u>      | <u>(48,494)</u>      | <u>(42,078)</u>      | <u>(50,368)</u>      |
| Net Change in Plan Fiduciary Net Position                                    | 8,844,842            | 6,361,873            | 2,870,776            | (91,441)             | 758,740              |
| Total Plan Fiduciary Net Position - Beginning                                | <u>27,065,741</u>    | <u>20,703,868</u>    | <u>17,833,092</u>    | <u>17,924,533</u>    | <u>17,165,793</u>    |
| Total Plan Fiduciary Net Position - Ending                                   | <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   | <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   | <u>44.7%</u>         | <u>33.7%</u>         | <u>19.5%</u>         | <u>17.2%</u>         | <u>18.2%</u>         |
| Covered employee payroll   | <u>\$ 10,500,000</u> | <u>\$ 10,500,000</u> | <u>\$ 9,100,000</u>  | <u>\$ 9,000,000</u>  | <u>\$ 7,800,000</u>  |
| Plan's net pension liability as a percentage of the covered employee payroll | <u>423.7%</u>        | <u>506.6%</u>        | <u>939.8%</u>        | <u>952.8%</u>        | <u>1,030.8%</u>      |

See independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS (CONT'D)  
FIREMEN PENSION PLAN  
UNAUDITED  
DECEMBER 31, 2018**

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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 investment return rate assumption was changed from 8.0% to 7.5% per annum, salary rates changed from 5.0% to 4.5%, cost of living adjustment assumption was removed.

Note: 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 independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
NON-UNIFORMED PENSION PLAN  
UNAUDITED  
DECEMBER 31, 2018**

|  | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability:   |                      |                      |                      |                      |                      |
| Service Cost   | \$ 78,810            | \$ 75,416            | \$ 82,437            | \$ 78,511            | \$ 81,737            |
| Interest   | 747,109              | 747,856              | 954,145              | 954,216              | 937,975              |
| Changes of benefit terms   | -                    | -                    | -                    | -                    | -                    |
| Differences between expected and actual experience                           | -                    | (2,557,705)          | -                    | 13,368               | -                    |
| Changes of assumptions   | -                    | 498,678              | -                    | 267,267              | -                    |
| Benefit payments, including refunds of member contributions                  | <u>(818,735)</u>     | <u>(854,513)</u>     | <u>(997,346)</u>     | <u>(1,077,747)</u>   | <u>(1,110,468)</u>   |
| Net Change in Total Pension Liability  | 7,184                | (2,090,268)          | 39,236               | 235,615              | (90,756)             |
| Total Pension Liability - Beginning  | <u>10,292,016</u>    | <u>12,382,284</u>    | <u>12,343,048</u>    | <u>12,107,433</u>    | <u>12,198,189</u>    |
| Total Pension Liability - Ending   | <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  | 759,299              | 1,036,945            | 979,014              | 862,584              | 836,499              |
| Contributions - Member   | 42,478               | 35,253               | 36,606               | 37,141               | 37,752               |
| Net investment income  | (238,160)            | 470,219              | 270,237              | 12,956               | 200,183              |
| Benefit payments, including refunds of member contributions                  | (818,735)            | (854,513)            | (997,346)            | (1,077,747)          | (1,110,468)          |
| Administrative expense   | <u>(66,719)</u>      | <u>(111,870)</u>     | <u>(109,478)</u>     | <u>(92,284)</u>      | <u>(48,723)</u>      |
| Net Change in Plan Fiduciary Net Position                                    | 1,985,680            | 852,417              | 222,089              | (12,066)             | 186,562              |
| Total Plan Fiduciary Net Position - Beginning                                | <u>4,524,319</u>     | <u>3,671,902</u>     | <u>3,449,813</u>     | <u>3,461,879</u>     | <u>3,275,317</u>     |
| Total Plan Fiduciary Net Position - Ending                                   | <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   | <u>\$ 3,789,201</u>  | <u>\$ 5,767,697</u>  | <u>\$ 8,710,382</u>  | <u>\$ 8,893,235</u>  | <u>\$ 8,645,500</u>  |
| Plan fiduciary net position as a percentage of the total pension liability   | <u>63.2%</u>         | <u>44.0%</u>         | <u>29.7%</u>         | <u>27.9%</u>         | <u>28.6%</u>         |
| Covered employee payroll   | <u>\$ 5,800,000</u>  | <u>\$ 5,800,000</u>  | <u>\$ 5,400,000</u>  | <u>\$ 5,300,000</u>  | <u>\$ 5,300,000</u>  |
| Plan's net pension liability as a percentage of the covered employee payroll | <u>65.3%</u>         | <u>99.4%</u>         | <u>161.3%</u>        | <u>167.8%</u>        | <u>163.1%</u>        |

See independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS (CONT'D)  
NON-UNIFORMED PENSION PLAN  
UNAUDITED  
DECEMBER 31, 2018**

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Notes to Schedule:

Assumption Changes:

- In 2015, the mortality assumption was changed from the RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.
- In 2017, the investment return rate assumption was changed from 8.0% to 7.5% per annum, salary rates changed from 5.0% to 4.5%, cost of living adjustment assumption was removed.

Note: 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 independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**SCHEDULE OF CITY CONTRIBUTIONS  
PENSION PLANS  
LAST 5 FISCAL YEARS  
UNAUDITED  
DECEMBER 31, 2018**

|  | <u>2018**</u>        | <u>2017</u>          | <u>2016</u>          | <u>2015</u>         | <u>2014</u>         |
|--|----------------------|----------------------|----------------------|---------------------|---------------------|
| <b><u>Police Pension Plan</u></b>  |                      |                      |                      |                     |                     |
| Actuarially determined contribution  | \$ 4,042,020         | \$ 7,996,779         | \$ 6,274,672         | \$ 5,170,561        | \$ 5,082,761        |
| Contributions in relation to the actuarially determined contribution                           | <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>         |
| Covered-employee payroll   | <u>\$ 10,800,000</u> | <u>\$ 11,000,000</u> | <u>\$ 10,100,000</u> | <u>\$ 9,700,000</u> | <u>\$ 8,700,000</u> |
| Contributions as a percentage of covered-employee payroll                                      | <u>37.43%</u>        | <u>72.7%</u>         | <u>62.1%</u>         | <u>53.3%</u>        | <u>58.4%</u>        |
| **Excludes bond proceeds of \$10,383,827 deposited on December 17, 2018 and December 20, 2018. |                      |                      |                      |                     |                     |
| <b><u>Firemen Pension Plan</u></b>   |                      |                      |                      |                     |                     |
| Actuarially determined contribution  | \$ 5,909,496         | \$ 9,501,455         | \$ 7,111,152         | \$ 6,023,553        | \$ 5,935,833        |
| Contributions in relation to the actuarially determined contribution                           | <u>5,909,496</u>     | <u>9,501,455</u>     | <u>7,111,152</u>     | <u>6,023,553</u>    | <u>5,935,833</u>    |
| Contribution deficiency (excess)   | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>         | <u>\$ -</u>         |
| Covered-employee payroll   | <u>\$ 10,500,000</u> | <u>\$ 10,500,000</u> | <u>\$ 9,100,000</u>  | <u>\$ 9,000,000</u> | <u>\$ 7,800,000</u> |
| Contributions as a percentage of covered-employee payroll                                      | <u>56.28%</u>        | <u>90.49%</u>        | <u>78.14%</u>        | <u>66.93%</u>       | <u>76.10%</u>       |

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

See independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**SCHEDULE OF CITY CONTRIBUTIONS (CONT'D)  
PENSION PLANS  
LAST 5 FISCAL YEARS  
UNAUDITED  
DECEMBER 31, 2018**

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|  | <u>2018**</u>       | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>Non-Uniformed Pension Plan</u>                                    |                     |                     |                     |                     |                     |
| Actuarially determined contribution                                  | \$ 754,924          | \$ 1,313,328        | \$ 1,014,228        | \$ 1,107,868        | \$ 1,107,818        |
| Contributions in relation to the actuarially determined contribution | <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>         |
| Covered-employee payroll   | <u>\$ 5,800,000</u> | <u>\$ 5,800,000</u> | <u>\$ 5,400,000</u> | <u>\$ 5,300,000</u> | <u>\$ 5,300,000</u> |
| Contributions as a percentage of covered-employee payroll            | <u>13.02%</u>       | <u>22.64%</u>       | <u>18.78%</u>       | <u>20.90%</u>       | <u>20.90%</u>       |

\*\*Excludes bond proceeds of \$2,307,517 deposited on December 17, 2018 and December 20, 2018.

See independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
POLICE, FIREMEN, AND NON-UNIFORMED PENSION PLANS  
DECEMBER 31, 2018**

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|                                |   |
|--------------------------------|---|
| Valuation date                 | January 1, 2017   |
| Actuarially cost method        | Entry Age   |
| Amortization method            | Level Dollar  |
| Remaining amortization period: |   |
| Police Pension Plan            | 14 Years  |
| Firemen Pension Plan           | 60 Years  |
| Non-Uniform Pension Plan       | 9 Years   |
| Asset valuation method         | 5 year smoothing method described in internal revenue procedure 2000-40 approval 16                             |
| Inflation                      | 2.25%   |
| Salary increases               | 4.50%   |
| Investment rate of return      | 7.50% (Net of pension plan investment expense including inflation)  |
| Retirement age:                |   |
| Police Pension Plan            | Normal Retirement: Pre 7/1/1987 employee - 25 years of service; Post 6/30/1987 - Age 55 and 25 years of service |
|                                | Vesting: 25 years of service  |
| Firemen Pension Plan           | Normal Retirement: Pre 7/1/1987 employee - 25 years of service; Post 6/30/1987 - Age 55 and 25 years of service |
|                                | Vesting: 25 years of service  |
| Non-Uniformed 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            | Blue Collar RP-2000 Mortality Table   |
| Firemen Pension Plan           | Blue Collar RP-2000 Mortality Table   |
| Non-Uniformed Pension Plan     | Blue Collar RP-2000 Mortality Table   |

CITY OF SCRANTON, PENNSYLVANIA

**SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS  
POLICE OPEB PLAN  
UNAUDITED  
DECEMBER 31, 2018**

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|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| Total OPEB Liability:                                       |                      |                      |
| Service cost  | \$ 1,944,712         | \$ 1,860,968         |
| Interest  | 3,355,732            | 3,282,304            |
| Changes of benefit terms                                    | -                    | -                    |
| Differences between expected and actual experience          | -                    | -                    |
| Changes of assumptions                                      | -                    | -                    |
| Benefit payments, including refunds of member contributions | <u>(3,301,054)</u>   | <u>(3,236,828)</u>   |
| Net Change in Total OPEB Liability                          | 1,999,390            | 1,906,444            |
| Total OPEB Liability - Beginning                            | <u>89,191,998</u>    | <u>87,285,554</u>    |
| Total OPEB Liability - Ending                               | <u>\$ 91,191,388</u> | <u>\$ 89,191,998</u> |
| Covered Employee Payroll                                    | <u>\$ 10,779,911</u> | <u>\$ 10,315,704</u> |
| Total OPEB liability as a percentage of covered payroll     | <u>845.94%</u>       | <u>864.62%</u>       |

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

See independent auditors' report and note to required supplementary information.

CITY OF SCRANTON, PENNSYLVANIA

**SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS  
FIREMEN OPEB PLAN  
UNAUDITED  
DECEMBER 31, 2018**

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|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| Total OPEB Liability:                                       |                      |                      |
| Service cost  | \$ 1,667,677         | \$ 1,595,863         |
| Interest  | 3,157,210            | 3,134,550            |
| Changes of benefit terms                                    | -                    | -                    |
| Differences between expected and actual experience          | -                    | -                    |
| Changes of assumptions                                      | -                    | -                    |
| Benefit payments, including refunds of member contributions | <u>(4,342,091)</u>   | <u>(4,053,806)</u>   |
| Net Change in Total OPEB Liability                          | 482,796              | 676,607              |
| Total OPEB Liability - Beginning                            | <u>84,695,647</u>    | <u>84,019,040</u>    |
| Total OPEB Liability - Ending                               | <u>\$ 85,178,443</u> | <u>\$ 84,695,647</u> |
| Covered Employee Payroll                                    | <u>\$ 17,041,604</u> | <u>\$ 16,307,755</u> |
| Total OPEB liability as a percentage of covered payroll     | <u>499.83%</u>       | <u>519.36%</u>       |

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

See independent auditors' report and note to required supplementary information.

CITY OF SCRANTON, PENNSYLVANIA

**SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS  
NON-UNIFORMED OPEB PLAN  
UNAUDITED  
DECEMBER 31, 2018**

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|   | <u>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| Total OPEB Liability:                                       |                      |                      |
| Service cost  | \$ 176,021           | \$ 168,441           |
| Interest  | 1,253,361            | 1,275,585            |
| Changes of benefit terms                                    | -                    | -                    |
| Differences between expected and actual experience          | -                    | -                    |
| Changes of assumptions                                      | -                    | -                    |
| Benefit payments, including refunds of member contributions | <u>(2,056,734)</u>   | <u>(2,031,766)</u>   |
| Net Change in Total OPEB Liability                          | (627,352)            | (587,740)            |
| Total OPEB Liability - Beginning                            | <u>34,275,301</u>    | <u>34,863,041</u>    |
| Total OPEB Liability - Ending                               | <u>\$ 33,647,949</u> | <u>\$ 34,275,301</u> |
| Covered Employee Payroll                                    | <u>\$ 8,750,292</u>  | <u>\$ 8,373,485</u>  |
| Total OPEB liability as a percentage of covered payroll     | <u>384.54%</u>       | <u>409.33%</u>       |

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

See independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
POLICE, FIREMEN, AND NON-UNIFORMED OPEB PLANS  
DECEMBER 31, 2018**

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|                           |   |
|---------------------------|---|
| Valuation date            | January 1, 2017   |
| Actuarially cost method   | Entry Age Normal  |
| Amortization method       | Level Percent of Pay  |
| Asset valuation method    | 5 year smoothing method described in internal revenue procedure 2000-40 approval 16 |
| Inflation                 | 2.25%   |
| Salary increases          | 4.50%   |
| Investment rate of return | There are no invested assets.   |
| Discount rate             | 3.75%   |

**CITY OF SCRANTON, PENNSYLVANIA**

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2018**

|  | Budget Amounts     |                    | Actual               | Variance from<br>Final Budget |
|--|--------------------|--------------------|----------------------|-------------------------------|
|  | Original           | Final              |                      |                               |
| <b>REVENUE:</b>  |                    |                    |                      |                               |
| Taxes  | \$ 73,934,267      | \$ 73,934,267      | \$ 72,925,885        | \$ (1,008,382)                |
| Intergovernmental  | 3,957,646          | 3,957,646          | 4,761,305            | 803,659                       |
| Department earnings  | 469,625            | 469,625            | 554,433              | 84,808                        |
| Refuse disposal fees   | 7,662,500          | 7,662,500          | 6,970,633            | (691,867)                     |
| Licenses and permits   | 1,943,704          | 1,943,704          | 2,396,375            | 452,671                       |
| Cable television franchise revenue   | 850,000            | 850,000            | 1,022,958            | 172,958                       |
| Payments in lieu of taxes  | 250,000            | 250,000            | 71,456               | (178,544)                     |
| Other revenues   | 666,450            | 666,450            | 1,313,480            | 647,030                       |
| Rents and concessions  | 5,000              | 5,000              | 5,500                | 500                           |
| <b>Total Revenue</b>   | <b>89,739,192</b>  | <b>89,739,192</b>  | <b>90,022,025</b>    | <b>282,833</b>                |
| <b>EXPENDITURES:</b>   |                    |                    |                      |                               |
| General government   | 17,807,089         | 17,807,089         | 17,687,403           | (119,686)                     |
| Public safety  | 50,363,412         | 50,363,412         | 67,310,714           | 16,947,302                    |
| Public works   | 13,206,769         | 13,206,769         | 13,074,685           | (132,084)                     |
| Culture and recreation   | 1,564,580          | 1,564,580          | 725,924              | (838,656)                     |
| Debt service   | 10,688,039         | 10,688,039         | 10,688,041           | 2                             |
| Capital Outlay   | -                  | -                  | 3,912,713            | 3,912,713                     |
| <b>Total Expenditures</b>  | <b>93,629,889</b>  | <b>93,629,889</b>  | <b>113,399,480</b>   | <b>19,769,591</b>             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures   | <u>(3,890,697)</u> | <u>(3,890,697)</u> | <u>(23,377,455)</u>  | <u>(19,486,758)</u>           |
| <b>Other Financing Sources (Uses):</b>   |                    |                    |                      |                               |
| Proceeds from tax anticipation notes   | 12,750,000         | 12,750,000         | 12,750,000           | -                             |
| Proceeds from leases   | -                  | -                  | 1,944,539            | 1,944,539                     |
| Sale of assets   | 1,000              | 1,000              | -                    | (1,000)                       |
| Repayments from tax anticipation notes   | (13,244,850)       | (13,244,850)       | (13,101,263)         | 143,587                       |
| Court award  | (350,000)          | (350,000)          | (483,951)            | (133,951)                     |
| Bond issuance  | 1,100              | 1,100              | 22,990,000           | 22,988,900                    |
| Operating transfers in   | 5,183,505          | 5,183,505          | 1,791,789            | (3,391,716)                   |
| Operating transfers out  | (450,058)          | (450,058)          | (2,132,397)          | (1,682,339)                   |
| <b>Total Other Financing Sources (Uses)</b>  | <b>3,890,697</b>   | <b>3,890,697</b>   | <b>23,758,717</b>    | <b>19,868,020</b>             |
| Excess (Deficiency) of Revenues and Other<br>Financing Sources Over (Under)<br>Expenditures and Other Financing Uses | -                  | -                  | 381,262              | -                             |
| Fund Balance, Beginning  | -                  | -                  | 33,279,803           | -                             |
| Fund Balance, Ending   | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ 33,661,065</u> | <u>\$ -</u>                   |

See independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND (CONT'D)  
YEAR ENDED DECEMBER 31, 2018**

|  | <u>Budget Amounts</u> |                   | <u>Actual</u>     | <u>Variance from<br/>Final Budget</u> |
|--|-----------------------|-------------------|-------------------|---------------------------------------|
|  | <u>Original</u>       | <u>Final</u>      |                   |                                       |
| <b>REVENUE:</b>                          |                       |                   |                   |                                       |
| Taxes                                    |                       |                   |                   |                                       |
| Act 511:                                 |                       |                   |                   |                                       |
| Wage                                     | \$ 27,387,219         | \$ 27,387,219     | 27,361,905        | \$ (25,314)                           |
| Non-resident wage tax                    | 520,000               | 520,000           | -                 | (520,000)                             |
| Delinquent wage tax                      | 200,000               | 200,000           | 113,885           | (86,115)                              |
| Real estate transfer                     | 3,376,000             | 3,376,000         | 2,983,409         | (392,591)                             |
| Mercantile                               | 1,605,000             | 1,605,000         | 1,207,876         | (397,124)                             |
| Business Privilege                       | 1,280,250             | 1,280,250         | 1,053,905         | (226,345)                             |
| Local service tax                        | 4,810,000             | 4,810,000         | 4,967,762         | 157,762                               |
| Delinquent mercantile                    | 100,000               | 100,000           | 47,758            | (52,242)                              |
| Delinquent business privilege            | 200,000               | 200,000           | 216,009           | 16,009                                |
| <b>Total Act 511</b>                     | <b>39,478,469</b>     | <b>39,478,469</b> | <b>37,952,509</b> | <b>(1,525,960)</b>                    |
| Current real estate                      | 13,501,829            | 13,501,829        | 21,018,505        | 7,516,676                             |
| Current real estate tax land             | 18,750,977            | 18,750,977        | 9,894,661         | (8,856,316)                           |
| Delinquent real estate                   | 1,575,000             | 1,575,000         | 3,419,538         | 1,844,538                             |
| Public utility                           | 75,000                | 75,000            | 75,073            | 73                                    |
| Parking tax                              | -                     | -                 | 500               | 500                                   |
| Amusement tax                            | 385,000               | 385,000           | 310,492           | (74,508)                              |
| Penalties and interest                   | 167,992               | 167,992           | 254,607           | 86,615                                |
| <b>Total taxes</b>                       | <b>73,934,267</b>     | <b>73,934,267</b> | <b>72,925,885</b> | <b>(1,008,382)</b>                    |
| Intergovernmental:                       |                       |                   |                   |                                       |
| Supplemental state assisted pension      | 3,450,000             | 3,450,000         | 3,681,620         | 231,620                               |
| Act 47 grants                            | 21,780                | 21,780            | 223,104           | 201,324                               |
| OECD reimbursement demolition<br>program | 200,000               | 200,000           | 568,781           | 368,781                               |
| Fire safety grant                        | 285,866               | 285,866           | 287,800           | 1,934                                 |
| <b>Total intergovernmental</b>           | <b>3,957,646</b>      | <b>3,957,646</b>  | <b>4,761,305</b>  | <b>803,659</b>                        |
| Departmental earnings:                   |                       |                   |                   |                                       |
| Parking meters                           | -                     | -                 | 6,740             | 6,740                                 |
| Pave cuts                                | 392,500               | 392,500           | 459,643           | 67,143                                |
| Alarm fees                               | 50,000                | 50,000            | 64,640            | 14,640                                |
| Zoning                                   | 27,125                | 27,125            | 23,410            | (3,715)                               |
| <b>Total departmental earnings</b>       | <b>469,625</b>        | <b>469,625</b>    | <b>554,433</b>    | <b>84,808</b>                         |

See independent auditors' report and note to required supplementary information.

CITY OF SCRANTON, PENNSYLVANIA

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND (CONT'D)  
YEAR ENDED DECEMBER 31, 2018**

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|                                       | <u>Budget Amounts</u> |                      | <u>Actual</u>        | <u>Variance from<br/>Final Budget</u> |
|---------------------------------------|-----------------------|----------------------|----------------------|---------------------------------------|
|                                       | <u>Original</u>       | <u>Final</u>         |                      |                                       |
| REVENUE:                              |                       |                      |                      |                                       |
| Refuse disposal fees                  | 7,662,500             | 7,662,500            | 6,970,633            | (691,867)                             |
| Licenses and permits                  | 1,943,704             | 1,943,704            | 2,396,375            | 452,671                               |
| Cable television franchise<br>revenue | 850,000               | 850,000              | 1,022,958            | 172,958                               |
| Payments in lieu of taxes             | 250,000               | 250,000              | 71,456               | (178,544)                             |
| Rents and concessions                 | 5,000                 | 5,000                | 5,500                | 500                                   |
| Other revenues:                       |                       |                      |                      |                                       |
| Interest income                       | 30,000                | 30,000               | 544,450              | 514,450                               |
| User fees                             | 49,500                | 49,500               | 40,393               | (9,107)                               |
| Fines and forfeits                    | 360,850               | 360,850              | 432,088              | 71,238                                |
| Donations                             | 100                   | 100                  | 31,000               | 30,900                                |
| Other                                 | 226,000               | 226,000              | 265,549              | 39,549                                |
| Total                                 | <u>11,377,654</u>     | <u>11,377,654</u>    | <u>11,780,402</u>    | <u>402,748</u>                        |
| Total Revenue                         | <u>\$ 89,739,192</u>  | <u>\$ 89,739,192</u> | <u>\$ 90,022,025</u> | <u>\$ 282,833</u>                     |

See independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND (CONT'D)  
YEAR ENDED DECEMBER 31, 2018**

|                                 | <u>Budget Amounts</u> |                   | <u>Actual</u>     | <u>Variance from<br/>Final Budget</u> |
|---------------------------------|-----------------------|-------------------|-------------------|---------------------------------------|
|                                 | <u>Original</u>       | <u>Final</u>      |                   |                                       |
| <b>EXPENDITURES</b>             |                       |                   |                   |                                       |
| General Government:             |                       |                   |                   |                                       |
| Salaries and wages              | \$ 2,934,880          | \$ 2,934,880      | \$ 2,849,477      | \$ (85,403)                           |
| Employee benefits               | 4,757,676             | 4,757,676         | 7,359,519         | 2,601,843                             |
| Workers' compensation           | 3,743,432             | 3,743,432         | 2,000,000         | (1,743,432)                           |
| General insurance               | 1,481,000             | 1,481,000         | 1,020,641         | (460,359)                             |
| Office supplies and expenses    | 155,550               | 155,550           | 137,008           | (18,542)                              |
| Professional fees               | 1,030,802             | 1,030,802         | 1,388,843         | 358,041                               |
| Telephone                       | 150,000               | 150,000           | 192,944           | 42,944                                |
| Equipment                       | 474,500               | 474,500           | 840,862           | 366,362                               |
| Utilities                       | 890,000               | 890,000           | 923,470           | 33,470                                |
| Other                           | 2,189,249             | 2,189,249         | 974,639           | (1,214,610)                           |
| <b>Total General Government</b> | <b>17,807,089</b>     | <b>17,807,089</b> | <b>17,687,403</b> | <b>(119,686)</b>                      |
| Public Safety                   |                       |                   |                   |                                       |
| Salaries and wages              | 23,428,479            | 23,428,479        | 24,009,360        | 580,881                               |
| Employee benefits               | 24,814,557            | 24,814,557        | 42,917,322        | 18,102,765                            |
| Supplies                        | 63,500                | 63,500            | 64,474            | 974                                   |
| Equipment                       | 1,687,750             | 1,687,750         | (63,356)          | (1,751,106)                           |
| Training                        | 138,000               | 138,000           | 145,192           | 7,192                                 |
| Professional fees               | 144,150               | 144,150           | 146,600           | 2,450                                 |
| Other                           | 86,976                | 86,976            | 91,122            | 4,146                                 |
| <b>Total Public Safety</b>      | <b>50,363,412</b>     | <b>50,363,412</b> | <b>67,310,714</b> | <b>16,947,302</b>                     |
| Public Works                    |                       |                   |                   |                                       |
| Salaries and wages              | 4,623,826             | 4,623,826         | 4,426,615         | (197,211)                             |
| Employee benefits               | 3,218,234             | 3,218,234         | 2,672,318         | (545,916)                             |
| Supplies                        | 416,350               | 416,350           | 315,127           | (101,223)                             |
| Professional fees               | 130,290               | 130,290           | 86,876            | (43,414)                              |
| Equipment                       | 1,479,289             | 1,479,289         | 1,533,225         | 53,936                                |
| Landfill fees                   | 1,271,435             | 1,271,435         | 1,400,221         | 128,786                               |
| Road resurfacing                | 875,000               | 875,000           | 1,398,839         | 523,839                               |
| Flood Protection                | 50,000                | 50,000            | 46,728            | (3,272)                               |
| Salt                            | 273,500               | 273,500           | 495,658           | 222,158                               |
| Street lighting                 | 865,845               | 865,845           | 698,980           | (166,865)                             |
| Training                        | 2,000                 | 2,000             | 98                | (1,902)                               |
| Other                           | 1,000                 | 1,000             | -                 | (1,000)                               |
| <b>Total Public Works</b>       | <b>13,206,769</b>     | <b>13,206,769</b> | <b>13,074,685</b> | <b>(132,084)</b>                      |

See independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND (CONT'D)  
YEAR ENDED DECEMBER 31, 2018**

|  | Budget Amounts     |                    | Actual               | Variance from<br>Final Budget |
|--|--------------------|--------------------|----------------------|-------------------------------|
|  | Original           | Final              |                      |                               |
| Culture and Recreation   |                    |                    |                      |                               |
| Salaries and wages   | 620,640            | 620,640            | 636,549              | 15,909                        |
| Employee benefits  | 2,940              | 2,940              | 2,520                | (420)                         |
| Supplies   | 42,000             | 42,000             | 23,889               | (18,111)                      |
| Programs   | 24,000             | 24,000             | 19,561               | (4,439)                       |
| Equipment  | 875,000            | 875,000            | 43,405               | (831,595)                     |
| Total Culture and Recreation   | <u>1,564,580</u>   | <u>1,564,580</u>   | <u>725,924</u>       | <u>(838,656)</u>              |
| Debt Service payments  | 10,688,039         | 10,688,039         | 10,688,041           | 2                             |
| Capital Outlay   | -                  | -                  | 3,912,713            | 3,912,713                     |
| Total Expenditures   | <u>93,629,889</u>  | <u>93,629,889</u>  | <u>113,399,480</u>   | <u>19,769,591</u>             |
| Excess (Deficiency) of Revenue Over<br>(Under) Expenditures  | <u>(3,890,697)</u> | <u>(3,890,697)</u> | <u>(23,377,455)</u>  | <u>(19,486,758)</u>           |
| Other Financing Sources (Uses)   |                    |                    |                      |                               |
| Proceeds from tax anticipation notes   | 12,750,000         | 12,750,000         | 12,750,000           | -                             |
| Proceeds from leases   | -                  | -                  | 1,944,539            | 1,944,539                     |
| Sale of assets   | 1,000              | 1,000              | -                    | (1,000)                       |
| Repayments of tax anticipation notes   | (13,244,850)       | (13,244,850)       | (13,101,263)         | 143,587                       |
| Court award  | (350,000)          | (350,000)          | (483,951)            | (133,951)                     |
| Bond issuance  | 1,100              | 1,100              | 22,990,000           | 22,988,900                    |
| Operating transfers out  | (450,058)          | (450,058)          | (2,132,397)          | (1,682,339)                   |
| Operating transfers in from:   |                    |                    |                      |                               |
| Liquid fuels fund  | 5,183,505          | 5,183,505          | 1,791,789            | (3,391,716)                   |
| Other funds  | -                  | -                  | -                    | -                             |
| Net Other Financing Sources<br>(Uses)  | <u>3,890,697</u>   | <u>3,890,697</u>   | <u>23,758,717</u>    | <u>19,868,020</u>             |
| Excess (Deficiency) of Revenues and<br>Other Financing Sources Over (Under)<br>Expenditures and Other Financing Uses | -                  | -                  | 381,262              | 381,262                       |
| Fund Balance - Beginning of year   | -                  | -                  | 33,279,803           | -                             |
| Fund Balance - End of year   | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ 33,661,065</u> | <u>\$ -</u>                   |

See independent auditors' report and note to required supplementary information.

**CITY OF SCRANTON, PENNSYLVANIA**

**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

|  | <u>Liquid<br/>Fuels</u> | <u>Capital<br/>Projects</u> | <u>Redevelopment<br/>Authority</u> | <u>Debt<br/>Service</u> | <u>Total<br/>Non-major<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-----------------------------|------------------------------------|-------------------------|---|
| <b>ASSETS:</b>                                 |                         |                             |                                    |                         |   |
| Cash and cash equivalents                      | \$ 657,107              | \$ -                        | \$ 546,929                         | \$ -                    | \$ 1,204,036  |
| Loans receivable                               | -                       | -                           | 47,368                             | -                       | 47,368  |
| Restricted cash and cash equivalents           | -                       | -                           | -                                  | 140,905                 | 140,905   |
| Property held for resale                       | -                       | -                           | 98,365                             | -                       | 98,365  |
|  | <u>          </u>       | <u>          </u>           | <u>          </u>                  | <u>          </u>       | <u>          </u>                                     |
| Total Assets                                   | <u>\$ 657,107</u>       | <u>\$ -</u>                 | <u>\$ 692,662</u>                  | <u>\$ 140,905</u>       | <u>\$ 1,490,674</u>                                   |
| <b>LIABILITIES:</b>                            |                         |                             |                                    |                         |   |
| Accrued liabilities                            | \$ -                    | \$ -                        | \$ 874                             | \$ -                    | \$ 874  |
| Due to other funds                             | -                       | -                           | 528,103                            | -                       | 528,103   |
|  | <u>          </u>       | <u>          </u>           | <u>          </u>                  | <u>          </u>       | <u>          </u>                                     |
| Total Liabilities                              | <u>-</u>                | <u>-</u>                    | <u>528,977</u>                     | <u>-</u>                | <u>528,977</u>  |
| <b>DEFERRED INFLOW OF RESOURCES:</b>           |                         |                             |                                    |                         |   |
| Unavailable revenues                           | -                       | -                           | 47,368                             | -                       | 47,368  |
|  | <u>          </u>       | <u>          </u>           | <u>          </u>                  | <u>          </u>       | <u>          </u>                                     |
| <b>FUND BALANCE:</b>                           |                         |                             |                                    |                         |   |
| Non-spendable                                  | -                       | -                           | 98,365                             | -                       | 98,365  |
| Restricted for externally imposed restrictions | 657,107                 | -                           | 532,315                            | -                       | 1,189,422   |
| Assigned                                       | -                       | -                           | -                                  | 140,905                 | 140,905   |
| Unassigned                                     | -                       | -                           | (514,363)                          | -                       | (514,363)   |
|  | <u>          </u>       | <u>          </u>           | <u>          </u>                  | <u>          </u>       | <u>          </u>                                     |
| Total Fund Balance                             | <u>657,107</u>          | <u>-</u>                    | <u>116,317</u>                     | <u>140,905</u>          | <u>914,329</u>  |
|  | <u>\$ 657,107</u>       | <u>\$ -</u>                 | <u>\$ 692,662</u>                  | <u>\$ 140,905</u>       | <u>\$ 1,490,674</u>                                   |

See independent auditors' report.

**CITY OF SCRANTON, PENNSYLVANIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2018**

|  | <u>Liquid<br/>Fuels</u> | <u>Capital<br/>Projects</u> | <u>Redevelopment<br/>Authority</u> | <u>Debt<br/>Service</u> | <u>Total<br/>Non-major<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-----------------------------|------------------------------------|-------------------------|---|
| Revenues:  |                         |                             |                                    |                         |   |
| Intergovernmental  | \$ 2,334,622            | \$ -                        | \$ 180,678                         | \$ -                    | \$ 2,515,300  |
| Interest income  | 9,411                   | -                           | 276                                | 2,171                   | 11,858  |
| Other revenues   | -                       | 25,527                      | 5                                  | -                       | 25,532  |
| Rents and concessions  | -                       | -                           | 7,350                              | -                       | 7,350   |
|  | <u>2,344,033</u>        | <u>25,527</u>               | <u>188,309</u>                     | <u>2,171</u>            | <u>2,560,040</u>                                      |
| Total Revenues   |                         |                             |                                    |                         |   |
| Expenditures:  |                         |                             |                                    |                         |   |
| Current:   |                         |                             |                                    |                         |   |
| General government   | -                       | -                           | -                                  | 2,080                   | 2,080   |
| Community development  | -                       | -                           | 199,910                            | -                       | 199,910   |
| Debt service:  |                         |                             |                                    |                         |   |
| Principal  | -                       | -                           | -                                  | 310,000                 | 310,000   |
| Interest   | -                       | -                           | -                                  | 142,974                 | 142,974   |
|  | <u>-</u>                | <u>-</u>                    | <u>199,910</u>                     | <u>455,054</u>          | <u>654,964</u>  |
| Total Expenditures   |                         |                             |                                    |                         |   |
| Excess (Deficiency) of Revenues Over (Under)<br>Expenditures | <u>2,344,033</u>        | <u>25,527</u>               | <u>(11,601)</u>                    | <u>(452,883)</u>        | <u>1,905,076</u>                                      |
| Other Financing Sources (Uses):                              |                         |                             |                                    |                         |   |
| Operating transfers in                                       | -                       | -                           | -                                  | 510,000                 | 510,000   |
| Operating transfers out                                      | <u>(1,791,790)</u>      | <u>-</u>                    | <u>-</u>                           | <u>-</u>                | <u>(1,791,790)</u>                                    |
| Total Other Financing Sources (Uses)                         | <u>(1,791,790)</u>      | <u>-</u>                    | <u>-</u>                           | <u>510,000</u>          | <u>(1,281,790)</u>                                    |

See independent auditors' report.

CITY OF SCRANTON, PENNSYLVANIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS (CONT'D)  
YEAR ENDED DECEMBER 31, 2018**

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|  | <u>Liquid<br/>Fuels</u> | <u>Capital<br/>Projects</u> | <u>Redevelopment<br/>Authority</u> | <u>Debt<br/>Service</u> | <u>Total<br/>Non-major<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-----------------------------|------------------------------------|-------------------------|---|
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>552,243</u>          | <u>25,527</u>               | <u>(11,601)</u>                    | <u>57,117</u>           | <u>623,286</u>  |
| Fund Balances - Beginning:   |                         |                             |                                    |                         |   |
| As previously reported   | 104,864                 | (25,527)                    | 127,918                            | 631,658                 | 838,913   |
| Prior period adjustment  | <u>-</u>                | <u>-</u>                    | <u>-</u>                           | <u>(547,870)</u>        | <u>(547,870)</u>                                      |
| As restated  | <u>104,864</u>          | <u>(25,527)</u>             | <u>127,918</u>                     | <u>83,788</u>           | <u>291,043</u>  |
| Fund Balances - Ending   | <u>\$ 657,107</u>       | <u>\$ -</u>                 | <u>\$ 116,317</u>                  | <u>\$ 140,905</u>       | <u>\$ 914,329</u>                                     |

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