

CITY OF SCRANTON, PENNSYLVANIA

**FINANCIAL STATEMENTS
DECEMBER 31, 2019**

CITY OF SCRANTON, PENNSYLVANIA

**TABLE OF CONTENTS
DECEMBER 31, 2019**

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	I - IV
FINANCIAL STATEMENTS:	
Statement of Net Position	1 - 3
Statement of Activities	4
Balance Sheet - Governmental Funds	5
Reconciliation of Fund Balance in the Balance Sheet - Governmental Funds with Net Position in the Statement of Net Position	6 - 7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of Change in Fund Balance - Governmental Funds with Change in Net Position	9 - 10
Statement of Net Position - Proprietary Funds	11
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	12
Statement of Cash Flows - Proprietary Funds	13
Statement of Fiduciary Net Position	14
Statement of Changes in Fiduciary Net Position	15
Notes to Financial Statements	16 - 58
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in the City's Net Pension Liability and Related Ratios - Police Pension Plan	59 - 60
Schedule of Changes in the City's Net Pension Liability and Related Ratios - Firemen Pension Plan	61 - 62

CITY OF SCRANTON, PENNSYLVANIA

**TABLE OF CONTENTS (CONT'D)
DECEMBER 31, 2019**

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION (CONT'D):	
Schedule of Changes in the City's Net Pension Liability and Related Ratios - Non-Uniformed Pension Plan	63 - 64
Schedule of City Contributions - Pension Plans	65 - 66
Note to Required Supplementary Information - Police, Firemen, and Non-Uniformed Pension Plans	67
Schedule of Changes in the City's OPEB Liability and Related Ratios - Police OPEB Plan	68
Schedule of Changes in the City's OPEB Liability and Related Ratios - Firemen OPEB Plan	69
Schedule of Changes in the City's OPEB Liability and Related Ratios - Non-Uniformed OPEB Plan	70
Note to Required Supplementary Information - Police, Firemen, and Non-Uniformed OPEB Plans	71
Supplemental Schedule of Revenue and Expenditures - Budget and Actual - General Fund	72 - 76
SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet - Non-major Governmental Funds	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	78 - 79

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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, 2019, 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 41.82% of the assets, 10.46% of the fund balance, and .7% 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>
Entity-Wide:	
Governmental Activities	Unmodified
Business-Type Activity	Unmodified
Aggregate Discretely Presented Component Unit	Adverse
Fund:	
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, 2019, 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, 2019, 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 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 59 - 76 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

Scranton, PA
February 21, 2021

CITY OF SCRANTON, PENNSYLVANIA

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activity (March 31, 2019)</u>	<u>Total</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 8,374,361	\$ 645,492	\$ 9,019,853
Investments	27,173,666	-	27,173,666
Receivables:			
Taxes receivable, net	16,123,163	-	16,123,163
Garbage fees receivable, net	4,638,846	-	4,638,846
Accounts receivable, net	2,682,764	126,792	2,809,556
Loans receivable	897,558	-	897,558
Property held for resale	96,769	-	96,769
Prepaid expenses	-	13,010	13,010
Escrow deposits	-	16,496,216	16,496,216
Restricted cash and cash equivalents	<u>24,486,165</u>	<u>-</u>	<u>24,486,165</u>
Total Current Assets	84,473,292	17,281,510	101,754,802
CAPITAL ASSETS, net	82,828,381	4,383	82,832,764
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	468,585	-	468,585
Deferred outflows related to OPEB	<u>6,708,830</u>	<u>-</u>	<u>6,708,830</u>
	<u>\$ 174,479,088</u>	<u>\$ 17,285,893</u>	<u>\$ 191,764,981</u>

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

CITY OF SCRANTON, PENNSYLVANIA

**STATEMENT OF NET POSITION (CONT'D)
DECEMBER 31, 2019**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activity (March 31, 2019)</u>	<u>Total</u>
CURRENT LIABILITIES:			
Accounts payable	\$ 3,732,980	\$ 604,304	\$ 4,337,284
Credits outstanding	-	157,140	157,140
Other liabilities	1,098,584	725	1,099,309
Funds in escrow	2,955,583	-	2,955,583
Current portion of long term debt:			
Long-term debt obligations	11,322,227	-	11,322,227
Capital leases	466,309	-	466,309
Accrued interest	1,099,027	-	1,099,027
Total Current Liabilities	<u>20,674,710</u>	<u>762,169</u>	<u>21,436,879</u>
LONG-TERM OBLIGATIONS, net of current portion:			
Long-term debt obligations	101,521,433	-	101,521,433
Capital leases	1,584,199	-	1,584,199
Worker's compensation claims	16,252,595	-	16,252,595
Net other post-employment benefit obligation	205,891,645	-	205,891,645
Net pension liability	64,377,410	-	64,377,410
Compensated absences	3,921,375	-	3,921,375
Unearned revenue	1,690,141	-	1,690,141
Total Long-term Obligations, net of current portion:	<u>395,238,798</u>	<u>-</u>	<u>395,238,798</u>
Total Liabilities	<u>415,913,508</u>	<u>762,169</u>	<u>416,675,677</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	24,703,948	-	24,703,948
Deferred inflows related to OPEB	10,145,054	-	10,145,054
	<u>34,849,002</u>	<u>-</u>	<u>34,849,002</u>

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

CITY OF SCRANTON, PENNSYLVANIA

STATEMENT OF NET POSITION (CONT'D)
DECEMBER 31, 2019

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activity (March 31, 2019)</u>	<u>Total</u>
NET POSITION:			
Net investment in capital assets	80,782,256	4,383	80,786,639
Restricted for:			
Debt service	490,363	-	490,363
Restricted for escrow agreements	-	16,496,216	16,496,216
Restricted for externally imposed restrictions	27,711,227	-	27,711,227
Unrestricted (deficit)	<u>(385,267,268)</u>	<u>23,125</u>	<u>(385,244,143)</u>
Total Net Position	<u>(276,283,422)</u>	<u>16,523,724</u>	<u>(259,759,698)</u>
	<u>\$ 174,479,088</u>	<u>\$ 17,285,893</u>	<u>\$ 191,764,981</u>

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

CITY OF SCRANTON, PENNSYLVANIA

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Primary Government		
					<u>Governmental Activities</u>	<u>Business-type Activities (Year Ended March 31, 2019)</u>	<u>Total</u>
Governmental Activities:							
General government - administrative	\$ 16,630,468	\$ 2,112,201	\$ -	\$ -	\$ (14,518,267)	\$ -	\$ (14,518,267)
Public safety	33,201,795	443,418	1,169,269	-	(31,589,108)	-	(31,589,108)
Public works	17,833,011	10,339,863	-	2,407,581	(5,085,567)	-	(5,085,567)
Community development	3,062,594	551,775	-	3,932,341	1,421,522	-	1,421,522
Culture and recreation	1,289,724	-	-	-	(1,289,724)	-	(1,289,724)
Interest and fees on long-term debt	5,928,378	-	-	-	(5,928,378)	-	(5,928,378)
Total Governmental Activities	77,945,970	13,447,257	1,169,269	6,339,922	(56,989,522)	-	(56,989,522)
Business-type Activity (year ended March 31, 2019)	865,406	-	-	-	-	(865,406)	(865,406)
	<u>\$ 78,811,376</u>	<u>\$ 13,447,257</u>	<u>\$ 1,169,269</u>	<u>\$ 6,339,922</u>	<u>(56,989,522)</u>	<u>(865,406)</u>	<u>(57,854,928)</u>
General Revenues:							
Taxes:							
Property taxes					34,970,365	-	34,970,365
Act 511 taxes					38,815,384	-	38,815,384
Other taxes and penalties					330,579	-	330,579
Cable television franchise revenue					1,024,729	-	1,024,729
Payments in lieu of taxes					245,338	-	245,338
Investment earnings					1,600,412	249,684	1,850,096
Miscellaneous					2,069,186	81	2,069,267
Sale of assets					12,200	-	12,200
Rents and concessions					(541)	-	(541)
Total General Revenues					79,067,652	249,765	79,317,417
CHANGE IN NET POSITION					22,078,130	(615,641)	21,462,489
NET POSITION - Previously Reported:					(300,199,762)	17,139,365	(283,060,397)
Restatement Note 23					1,838,210	-	1,838,210
As restated					(298,361,552)	17,139,365	(281,222,187)
NET POSITION - ENDING					<u>\$ (276,283,422)</u>	<u>\$ 16,523,724</u>	<u>\$ (259,759,698)</u>

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

CITY OF SCRANTON, PENNSYLVANIA

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	OECD	Special Cities	Non-major Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 5,001,616	\$ -	\$ 1,984,976	\$ 1,387,769	\$ 8,374,361
Investments	-	-	4,989,829	-	4,989,829
Taxes receivable, net	16,123,163	-	-	-	16,123,163
Garbage fees receivable, net	4,638,846	-	-	-	4,638,846
Accounts receivable, net	1,684,121	246,220	679,771	-	2,610,112
Loans receivable, net	-	861,593	-	35,965	897,558
Restricted cash and cash equivalents	578,993	2,247,670	21,553,422	106,080	24,486,165
Property held for resale	-	-	-	96,769	96,769
Due from other funds	610,404	533,603	1,297,133	-	2,441,140
	<u>\$ 28,637,143</u>	<u>\$ 3,889,086</u>	<u>\$ 30,505,131</u>	<u>\$ 1,626,583</u>	<u>\$ 64,657,943</u>
LIABILITIES:					
Accounts payable	\$ 3,385,289	\$ 172,149	\$ 29,597	\$ 143	\$ 3,587,178
Funds in escrow	-	-	2,955,583	-	2,955,583
Other liabilities	1,053,394	45,190	-	-	1,098,584
Unearned revenue	-	861,851	828,290	-	1,690,141
Due to other funds	1,297,133	29,216	581,188	533,603	2,441,140
	<u>5,735,816</u>	<u>1,108,406</u>	<u>4,394,658</u>	<u>533,746</u>	<u>11,772,626</u>
Total Liabilities					
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	11,335,918	-	-	35,966	11,371,884
	<u>11,335,918</u>	<u>-</u>	<u>-</u>	<u>35,966</u>	<u>11,371,884</u>
FUND BALANCES:					
Nonspendable	-	-	-	96,769	96,769
Restricted	578,993	2,780,680	22,976,633	1,374,921	27,711,227
Assigned	3,418,716	-	3,133,840	106,080	6,658,636
Unassigned	7,567,700	-	-	(520,899)	7,046,801
	<u>11,565,409</u>	<u>2,780,680</u>	<u>26,110,473</u>	<u>1,056,871</u>	<u>41,513,433</u>
Total Fund Balances					
	<u>\$ 28,637,143</u>	<u>\$ 3,889,086</u>	<u>\$ 30,505,131</u>	<u>\$ 1,626,583</u>	<u>\$ 64,657,943</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, 2019**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 41,513,433
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Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the fund financial statements:

Capital assets	197,941,306
Accumulated depreciation	(115,112,925)

Property taxes and refuse fees receivable will be collected but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the general fund.

	11,335,918
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Loans made by Scranton Redevelopment Authority to qualified projects will be repaid in future years but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the nonmajor fund.

	35,966
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Internal service fund is used by management to charge the cost of workmen's compensation insurance to various departments. The net position of the internal service fund is reported with governmental activities.

	5,858,092
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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	(64,377,410)
Deferred outflows of resources	468,585
Deferred inflows of resources	(24,703,948)

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, 2019**

The City's net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the City's OPEB plans are not reported in the governmental funds but are reported in the statement of net position:

Net OPEB liability	(205,891,645)
Deferred outflows of resources	6,708,830
Deferred inflows of resources	(10,145,054)

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

General obligation bonds payable	(55,805,000)
General obligation notes payable	(55,350,000)
Governmental notes payable	(1,688,660)
Capitalized lease payable	(2,050,508)
Accrued interest payable	(1,099,027)
Compensated absences	<u>(3,921,375)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (276,283,422)</u>
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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, 2019

	General Fund	OECD	Special Cities	Non-major Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 74,058,225	\$ -	\$ -	\$ -	\$ 74,058,225
Intergovernmental revenue	622,681	3,932,341	546,588	2,407,581	7,509,191
Departmental earnings	378,649	-	672,619	-	1,051,268
Refuse disposal fee	7,052,487	-	-	-	7,052,487
Licenses and permits	2,452,580	-	-	-	2,452,580
Cable television franchise revenue	1,024,729	-	-	-	1,024,729
Payments in lieu of taxes	245,338	-	-	-	245,338
Investment income	-	8,783	504,146	19,107	532,036
Other revenues	547,461	-	621,618	106	1,169,185
Rents and concessions	5,500	-	-	5,360	10,860
Program income	442,106	551,775	-	-	993,881
Total Revenues	86,829,756	4,492,899	2,344,971	2,432,154	96,099,780
EXPENDITURES:					
Current:					
General government	13,987,197	-	1,045,805	2,080	15,035,082
Public safety	44,399,646	-	652,834	-	45,052,480
Public works	12,622,744	-	740,881	-	13,363,625
Community development	-	3,039,699	-	22,895	3,062,594
Culture and recreation	957,249	-	-	-	957,249
Debt Service:					
Debt service principal	6,095,008	-	-	325,000	6,420,008
Debt service interest/fees	5,632,879	-	-	135,675	5,768,554
Capital Outlay	3,517,656	1,014,264	302,830	-	4,834,750
Total Expenditures	87,212,379	4,053,963	2,742,350	485,650	94,494,342
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(382,623)	438,936	(397,379)	1,946,504	1,605,438
OTHER FINANCING SOURCES (USES):					
Operating transfers-in	3,248,385	150,000	24,221,308	425,000	28,044,693
Operating transfers-out	(24,796,308)	-	(1,019,423)	(2,228,962)	(28,044,693)
Sale of assets	-	-	12,200	-	12,200
Proceeds from leases	416,112	-	-	-	416,112
Proceeds from tax anticipation note	12,750,000	-	-	-	12,750,000
Payments on tax anticipation note	(12,946,598)	-	-	-	(12,946,598)
Court award payment	(384,621)	-	-	-	(384,621)
Total Other Financing Sources (Uses)	(21,713,030)	150,000	23,214,085	(1,803,962)	(152,907)
CHANGE IN FUND BALANCE	(22,095,653)	588,936	22,816,706	142,542	1,452,531
FUND BALANCE - Beginning:					
As previously reported	33,661,062	545,865	3,101,436	914,329	38,222,692
Restatement, Note 23	-	1,645,879	192,331	-	1,838,210
As restated	33,661,062	2,191,744	3,293,767	914,329	40,060,902
FUND BALANCE - Ending	\$ 11,565,409	\$ 2,780,680	\$ 26,110,473	\$ 1,056,871	\$ 41,513,433

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, 2019**

CHANGE IN FUND BALANCE \$ 1,452,531

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:

Capital outlays	4,834,750
Depreciation	(5,941,101)

Proceeds from long-term debt and capital lease agreements are considered a current financial resource and are reported in the statement of changes in fund balances but not in the statement of activities. (13,166,112)

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

Repayment of general obligation bonds	5,180,000
Repayment of notes payable	13,313,692
Repayment of capitalized leases	676,316
Accrued interest	(159,824)

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.

142,245

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, 2019**

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

Change in compensated absences	(214,370)
Change in net OPEB obligation and related deferrals	689,911
Change in net pension liability and related deferrals	13,653,138

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.

1,616,954

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 22,078,130

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

CITY OF SCRANTON, PENNSYLVANIA

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2019**

	<u>Business-Type Activity</u>	<u>Governmental Activity</u>
	<u>Enterprise Fund Sewer Authority (March 31, 2019)</u>	<u>Internal Service Fund</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 645,492	\$ -
Investments	-	22,183,837
Accounts receivable, net	126,792	72,652
Prepaid insurance	13,010	-
Escrow deposits	<u>16,496,216</u>	<u>-</u>
Total Current Assets	17,281,510	22,256,489
CAPITAL ASSETS, net	<u>4,383</u>	<u>-</u>
	<u><u>\$ 17,285,893</u></u>	<u><u>\$ 22,256,489</u></u>
LIABILITIES:		
Current Liabilities:		
Accrued expenses	\$ 604,304	\$ 145,802
Credits outstanding	157,140	-
Accrued payroll and payroll taxes	<u>725</u>	<u>-</u>
Total Current Liabilities	762,169	145,802
Non-Current Liabilities:		
Workers' compensation claims payable	<u>-</u>	<u>16,252,595</u>
Total Liabilities	<u>762,169</u>	<u>16,398,397</u>
NET POSITION:		
Net investment in capital assets	4,383	-
Restricted for escrow agreements	16,496,216	-
Restricted for workers compensation claims	-	5,858,092
Unrestricted	<u>23,125</u>	<u>-</u>
Total Net Position	<u>16,523,724</u>	<u>5,858,092</u>
	<u><u>\$ 17,285,893</u></u>	<u><u>\$ 22,256,489</u></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, 2019**

	<u>Business-Type Activity</u>	<u>Governmental Activity</u>
	<u>Enterprise Fund Sewer Authority (Year ended (March 31, 2019)</u>	<u>Internal Service Fund</u>
REVENUES:		
Charges for services	\$ -	\$ 1,801,500
Miscellaneous income	81	-
	<u>81</u>	<u>1,801,500</u>
EXPENSES:		
Workers' compensation claims	-	1,936,594
Administrative and general	865,406	-
Other	-	216,327
	<u>865,406</u>	<u>2,152,921</u>
LOSS FROM OPERATIONS	<u>(865,325)</u>	<u>(351,421)</u>
NON-OPERATING REVENUES:		
Investment income	249,684	1,068,375
Gain on revaluation	-	900,000
	<u>249,684</u>	<u>1,968,375</u>
CHANGE IN NET POSITION	(615,641)	1,616,954
NET POSITION - Beginning	<u>17,139,365</u>	<u>4,241,138</u>
NET POSITION - Ending	<u>\$ 16,523,724</u>	<u>\$ 5,858,092</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, 2019**

	<u>Business-Type Activity</u>	<u>Governmental Activity</u>
	<u>Enterprise Fund Sewer Authority (Year ended March 31, 2019)</u>	<u>Internal Service Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from liens/interfund services provided	\$ 134,490	\$ 1,802,933
Cash received from miscellaneous fees	81	-
Cash paid to employees for salaries and benefits	(191,388)	-
Cash paid for legal fees and easements	(398,518)	-
Cash paid for operating expenses	<u>(35,672)</u>	<u>(2,161,954)</u>
Net Cash Used By Operating Activities	<u>(491,007)</u>	<u>(359,021)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	-	(2,338,945)
Proceeds from sales of investments	-	2,152,921
Interest and dividends received	<u>249,684</u>	<u>545,045</u>
Net Cash Provided by Investing Activities	<u>249,684</u>	<u>359,021</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(241,323)	-
CASH AND CASH EQUIVALENTS - Beginning	<u>886,815</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 645,492</u>	<u>\$ -</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss from operations	\$ (865,325)	\$ (351,421)
Adjustments to reconcile loss from operations to net cash used by operating activities:		
Depreciation	1,502	-
Bad debt expense	12,049	-
Change in assets and liabilities:		
Accounts receivable	(22,650)	1,433
Prepaid insurance	9,186	-
Escrow deposits	314,997	-
Accrued payroll	(2,304)	-
Credits outstanding	157,140	-
Accrued expenses	(95,602)	(79,650)
Worker's compensation claim payables	<u>-</u>	<u>70,617</u>
Net Cash Used by Operating Activities	<u>\$ (491,007)</u>	<u>\$ (359,021)</u>

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

CITY OF SCRANTON, PENNSYLVANIA

**STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019**

	<u>Pension Trust Fund</u>
ASSETS:	
Cash and investments	\$ 107,628,876
Members' contributions receivable	<u>50,689</u>
	<u>\$ 107,679,565</u>
LIABILITIES:	
Accounts payable	\$ 27,868
NET POSITION:	
Held in trust for pension benefits	<u>107,651,697</u>
	<u>\$ 107,679,565</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, 2019**

	<u>Pension Trust Fund</u>
ADDITIONS:	
Contributions:	
Employer contributions	\$ 6,343,277
State aid	3,978,627
Contributions by members	<u>1,338,087</u>
Total Contributions	<u>11,659,991</u>
Investment Income:	
Net appreciation in fair-value of investments	11,677,081
Net realized gain on sale of investments	2,135,408
Interest and dividends, net of fees	<u>2,244,812</u>
Total Investment Gain	<u>16,057,301</u>
Total Additions	<u>27,717,292</u>
DEDUCTIONS:	
Retirement benefits paid	(12,698,731)
Administrative expenses	<u>(152,442)</u>
Total Deductions	<u>(12,851,173)</u>
CHANGE IN NET POSITION	14,866,119
NET POSITION - Beginning	<u>92,785,578</u>
NET POSITION - Ending	<u>\$ 107,651,697</u>

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

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 ability to exercise oversight responsibility include, but are not limited to, the selection

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Reporting Entity (Cont'd)

Component Unit (Cont'd)

of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. A component unit may then be reported in one or two following manners:

Discrete presentation

Financial data for the component unit is presented in a column separate from that of the City's financial data. 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, 2019:

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 facilities. The mayor of the City of Scranton appoints all Parking Authority members. Effective August 30, 2016, the Parking Authority and the City of Scranton completed an asset monetization through a 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 facilities. The assets will be returned to the City of Scranton and Parking Authority of the City of Scranton upon the maturity of the concession lease, or when the debt assumed by HEDC is retired. An audit of the Parking Authority was not completed for the year ended December 31, 2019, and no financial statements have been prepared or included in the City's financial statements for the year ended December 31, 2019. The Parking Authority should be a discretely presented component unit.

CITY OF SCRANTON, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019**

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/outflows 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 expendable 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 and Special Cities are classified as a major funds. The remaining special revenue funds are classified as non-major funds.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Governmental Funds (Cont'd)

Debt Service Fund

Debt service fund is a non-major fund and 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.

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

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, 2019**

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, 2019**

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, 2019**

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

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

Receivables

Accounts and taxes receivable in the governmental-fund financial statements are shown at the total amount due. Taxes, franchise fees and grants not collected within 60 days are offset by deferred inflows of resources in the fund financial statements.

The City provides an allowance for doubtful accounts receivable equal to the estimated collection losses that will be incurred. The estimate is based on historical collection experience and a review of the current status of outstanding accounts.

Loans Receivable

Loans receivable consist of economic development loans to third parties that are administered by OECD. Most of these loans bear interest, usually at a very low rate. These loans receivable are reported at the gross principal outstanding. The outstanding loans are considered unearned revenue until collection of the principal. Interest income is recorded when received.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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- 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, 2019**

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 the 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 two types of deferred outflows of resources. Accordingly, these items, deferred pension charges and deferred OPEB charges are reported in the statement of net position in connection with the City's Pension and OPEB Plans. These deferred 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 and OPEB 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.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 governmental-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.

Pensions and OPEB

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

Fund Equity

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

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

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.

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.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Net Position (Cont'd)

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, 2019, upon which the 2019 levy was based, was approximately \$385 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

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, 2019 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 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.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Effects of New Pronouncements (Cont'd)

The provisions of Statement No. 87 are effective for fiscal years beginning after December 15, 2021. The City is currently evaluating the effects of this statement on its financial statements.

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, 2019. 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, 2020. The City is currently evaluating the effects of this statement on its financial statements.

GASB has issued the following pronouncements which management of the City does not expect to impact the financial statements.

- Statement No. 84, *Fiduciary Activities*, with an effective date for fiscal years beginning after December 15, 2019.
- Statement No. 90, *Majority Equity Interests - an Amendment of GASB Standards No. 14 and No. 61*, with an effective date for fiscal years beginning after December 15, 2019.
- Statement No. 91, *Conduit Debt Obligations*, with an effective date for fiscal years beginning after December 15, 2021.
- Statement No. 92, *Omnibus 2020*, with an effective date for fiscal years beginning after June 15, 2021.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Effects of New Pronouncements (Cont'd)

- Statement No. 93, *Replacement of Interbank Offered Rates*, with an effective date for fiscal years ending after June 15, 2020.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, with an effective date for fiscal years ending after June 15, 2022.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, with an effective date for fiscal years ending after June 15, 2022.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No. 14 and No. 84, and a suppression of GASB Statement No. 32*, with effective dates through June 15, 2021.

Subsequent Events

Management has evaluated subsequent events through February 21, 2021, 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.

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, 2019, \$30,286,064 of the City's bank balance of \$31,893,597 was uninsured, but was collateralized by securities held by the pledging banks trust department not in the City's name.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Investments

As of December 31, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Fair-Value</u>	<u>Cost Basis</u>
GOVERNMENTAL FUNDS		
Special Cities Fund:		
Governmental Securities:		
U.S. Government agencies	<u>\$ 4,989,829</u>	<u>\$ 4,989,829</u>
PROPRIETARY FUNDS		
Internal Service Fund:		
Cash and Cash Equivalents	\$ 5,693,388	\$ 5,693,388
Corporate obligations:		
Corporate-Domestic bonds	7,598,606	7,469,150
Governmental Securities:		
U.S. Government agencies	7,820,321	7,785,187
Mutual Funds:		
Equity Mutual funds	<u>1,071,522</u>	<u>1,010,512</u>
	<u>\$ 22,183,837</u>	<u>\$ 21,958,237</u>
FIDUCIARY FUNDS		
Pension Trust Fund:		
Mutual Funds:		
Cash equivalents	\$ 10,105,485	\$ 10,091,693
Bond Mutual funds	35,979,208	35,188,980
Equity Mutual funds	<u>61,544,183</u>	<u>54,938,543</u>
	<u>\$ 107,628,876</u>	<u>\$ 100,219,216</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, 2019**

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, 2019**

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 statement of net position measured at fair-value on a recurring basis and the level within the fair-value hierarchy in which the fair-value measurements fall at December 31, 2019:

<u>Investment Type</u>	<u>Fair-Value Measurement Using</u>			
	<u>Fair-Value</u>	<u>(Level 1) Inputs</u>	<u>(Level 2) Inputs</u>	<u>(Level 3) Inputs</u>
Special Cities Fund:				
Governmental Securities:				
U.S. Government agencies	\$ 4,989,829	\$ 4,989,829	\$ -	\$ -
Internal Service Fund:				
Certificates-of-deposit	\$ 5,693,388	\$ 5,693,388	\$ -	\$ -
Corporate obligations:				
Corporate-Domestic bonds	7,598,606	7,598,606	-	-
Governmental Securities:				
U.S. Government agencies	7,820,321	7,820,321	-	-
Mutual Funds:				
Equity mutual funds	1,071,522	1,071,522	-	-
	<u>\$ 27,173,666</u>	<u>\$ 27,173,666</u>	<u>\$ -</u>	<u>\$ -</u>
Pension Trust Fund:				
Mutual Funds:				
Equity mutual funds	\$ 35,979,208	\$ 35,979,208	\$ -	\$ -
Bond mutual funds	61,544,183	61,544,183	-	-
	<u>\$ 97,523,391</u>	<u>\$ 97,523,391</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4: TAXES AND FEES RECEIVABLE

Taxes receivable in the general fund consist of the following at December 31, 2019:

Real estate taxes	\$ 14,477,674
Other taxes:	
Earned Income	6,743,727
LST	1,240,356
Real Estate Transfer Tax	254,892
Business Privilege	<u>29,887</u>
	22,746,536
Less: allowance for uncollectible taxes	<u>6,623,373</u>
	<u>\$ 16,123,163</u>

Garbage fees receivable in the general fund are reported net of an allowance of \$4,498,151 at December 31, 2019.

Delinquent sewer fees in the proprietary fund are reported net of an allowance of \$3,100,152 at March 31, 2019.

NOTE 5: DUE TO/FROM OTHER FUNDS

The following summarizes receivables and payables between funds as of December 31, 2019:

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund:		
OECD	\$ 29,216	\$ -
Special Cities	581,188	1,297,133
Special Cities:		
General Fund	1,297,133	581,188
OECD:		
Redevelopment Authority	533,603	-
General Fund	-	29,216
Redevelopment Authority:		
OECD	-	<u>533,603</u>
	<u>\$ 2,441,140</u>	<u>\$ 2,441,140</u>

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases/ Reclassifications</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 3,485,506	\$ 377,678	\$ -	\$ 3,863,184
Construction-in-progress	<u>8,931,335</u>	<u>-</u>	<u>2,014,462</u>	<u>6,916,873</u>
Total capital assets, not being depreciated	<u>\$ 12,416,841</u>	<u>\$ 377,678</u>	<u>\$ 2,014,462</u>	<u>\$ 10,780,057</u>
Capital assets, being depreciated:				
Infrastructure	\$ 132,206,565	\$ 1,404,610	\$ -	\$ 133,611,175
Building	12,103,899	-	-	12,103,899
Land and building improvements	8,699,878	2,084,741	-	10,784,619
Vehicles, equipment and furniture	<u>27,679,373</u>	<u>2,982,183</u>	<u>-</u>	<u>30,661,556</u>
Total capital assets, being depreciated	<u>180,689,715</u>	<u>6,471,534</u>	<u>-</u>	<u>187,161,249</u>
Less: Accumulated depreciation				
Infrastructure	(77,593,206)	(3,631,154)	-	(81,224,360)
Building	(5,827,220)	(216,675)	-	(6,043,895)
Land and building improvements	(6,583,931)	(474,125)	-	(7,058,056)
Vehicles, equipment and furniture	<u>(19,167,467)</u>	<u>(1,619,147)</u>	<u>-</u>	<u>(20,786,614)</u>
Total accumulated depreciation	<u>(109,171,824)</u>	<u>(5,941,101)</u>	<u>-</u>	<u>(115,112,925)</u>
Total capital assets being depreciated, net	<u>\$ 71,517,891</u>	<u>\$ 530,433</u>	<u>\$ -</u>	<u>\$ 72,048,324</u>
Capital assets, net	<u>\$ 83,934,732</u>	<u>\$ 908,111</u>	<u>\$ 2,014,462</u>	<u>\$ 82,828,381</u>

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

Governmental Activities:	
General government - administrative	\$ 108,385
Parks and recreation	332,475
Public safety and corrections	1,014,757
Public works	<u>4,485,484</u>
Total depreciation expense - governmental activities	<u>\$ 5,941,101</u>

NOTE 7: SHORT-TERM DEBT

During the year ended December 31, 2019, the City excluded a tax anticipation note for \$12,750,000. The note was repaid, with interest, during the year for \$12,946,598.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8: LONG-TERM OBLIGATIONS

At December 31, 2019, general long-term debt obligations were as follows:

	Balance Outstanding December 31, 2018	Additions	Reductions	Balance Outstanding December 31, 2019	Amounts Due Within One Year
General Obligation Bonds:					
Emmaus General Authority					
Series 2002	\$ 3,795,000	\$ -	\$ 325,000	\$ 3,470,000	\$ 335,000
Series A and AA of 2016	34,570,000	-	2,755,000	31,815,000	2,905,000
Series A of 2017	22,620,000	-	2,100,000	20,520,000	2,205,000
Total General Obligation Bonds	60,985,000	-	5,180,000	55,805,000	5,445,000
General Obligation Notes:					
Series of 2016	32,605,000	-	245,000	32,360,000	260,000
Series of 2018	22,990,000	-	-	22,990,000	5,295,000
Total General Obligation Notes	55,595,000	-	245,000	55,350,000	5,555,000
Notes Payable:					
DCED Act 47 Loan	400,000	-	100,000	300,000	100,000
PIB Loan	1,607,352	-	218,692	1,388,660	222,227
Total Notes Payable	2,007,352	-	318,692	1,688,660	322,227
Total Long-Term Debt Obligations	\$ 118,587,352	\$ -	\$ 5,743,692	\$ 112,843,660	\$ 11,322,227
Lease Obligations Payable:					
Capitalized Equipment Leases	\$ 2,310,712	\$ 416,112	\$ 676,316	\$ 2,050,508	\$ 466,309
Other Long-Term Liabilities:					
Worker's compensation claims	\$ 17,081,978	\$ -	\$ 829,383	\$ 16,252,595	\$ -
Net other post-employment benefit obligations	\$ 210,017,780	\$ -	\$ 4,126,135	\$ 205,891,645	\$ -
Net pension liability	\$ 75,047,250	\$ -	\$ 10,669,840	\$ 64,377,410	\$ -
Compensated absences	\$ 3,707,005	\$ 214,370	\$ -	\$ 3,921,375	\$ -

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

A summary of long-term debt outstanding at December 31, 2019 is as follows:

General Obligation Bonds

Emmaus General Authority Series 2002

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

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 2028 and November 2026, respectively.

General Obligation Bonds, Series of 2017

In August 2017, the City issued General Obligation Bonds in the amount of \$24,620,000, at an interest rate of 5%. Principal and interest are due each year on September 1, through September 2029. The bonds were used to refund the Series B of 2003 debt. 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, 2019 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	6,355,000	1,568,388	7,923,388
2025 - 2029	<u>25,510,000</u>	<u>3,664,912</u>	<u>29,174,912</u>
	<u>\$ 55,805,000</u>	<u>\$ 14,559,576</u>	<u>\$ 70,364,576</u>

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 3.74%). 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. Principal and interest is payable on December 1st, each year with final maturity on December 1, 2023.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

General Obligation Notes (Cont'd)

Future debt service requirements on general obligation notes as of December 31, 2019 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	880,000	1,562,500	2,442,500
2025 - 2029	17,535,000	6,175,000	23,710,000
2030 - 2032	<u>12,835,000</u>	<u>1,119,750</u>	<u>13,954,750</u>
	<u>\$ 55,350,000</u>	<u>\$ 18,494,552</u>	<u>\$ 73,844,552</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, 2019

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

Notes Payable (Cont'd)

Future debt service requirements on notes payable as of December 31, 2019 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 322,227	\$ 22,742	\$ 344,969
2021	325,865	19,104	344,969
2022	329,562	15,407	344,969
2023	233,257	11,554	244,811
2024	237,048	7,763	244,810
2025	<u>240,701</u>	<u>4,423</u>	<u>245,124</u>
Total	<u>\$ 1,688,660</u>	<u>\$ 80,993</u>	<u>\$ 1,769,652</u>

Capitalized Leases

The City has entered into various leases for equipment with a net value of \$2,376,019 at December 31, 2019 payable in annual installments including interest from 3.25% to 5.00%, with final payments through August 2026.

Future debt service requirements on capitalized leases as of December 31, 2019 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 466,309	\$ 138,170	\$ 604,479
2021	432,866	127,538	560,404
2022	422,525	118,437	540,962
2023	443,909	109,666	553,575
2024	91,501	10,665	102,166
2025 - 2026	<u>193,398</u>	<u>10,916</u>	<u>204,314</u>
Total	<u>\$ 2,050,508</u>	<u>\$ 515,392</u>	<u>\$ 2,565,900</u>

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9: OPERATING LEASES

The City has entered into a lease with 233 Genesee 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 December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	403,814	60,276	464,090
2025 - 2027	<u>1,290,910</u>	<u>91,278</u>	<u>1,382,188</u>
	<u>\$ 3,094,979</u>	<u>\$ 520,813</u>	<u>\$ 3,615,792</u>

NOTE 10: INTERFUND TRANSFERS

Interfund transfers during the year ended December 31, 2019, were as follows:

<u>Operating Transfers</u>	<u>In</u>	<u>Out</u>
General Fund		
Debt Service Fund	\$ -	\$ 425,000
Liquid Fuels Fund	2,228,962	-
Special Cities	1,019,423	24,221,308
OECD Fund	-	150,000
Special Cities		
General Fund	24,221,308	1,019,423
Debt Service		
General Fund	425,000	-
OECD Fund		
General Fund	150,000	-
Liquid Fuels		
General Fund	<u>-</u>	<u>2,228,962</u>
	<u>\$ 28,044,693</u>	<u>\$ 28,044,693</u>

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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.

Workers' Compensation

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

The accrued workers' compensation claim loss reserve of \$16,252,595 as of December 31, 2019, was determined by an actuary and represents the discounted present value of expected losses using a 2.25% interest factor. The actuarial value was determined as of August 31, 2019. The amount of workers' compensation claims operating expense (income) for the Internal Service fund for the year ended December 31, 2019 is as follows:

Claims and cost paid	\$ 1,936,594
Decrease in actuarial discounted loss reserves	<u>(829,383)</u>
Workers' compensation claims, net	<u>\$ 1,107,211</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>
12/31/2018	\$ 21,559,564	\$ (2,373,718)	\$ 2,103,868	\$ 17,081,978
12/31/2019	\$ 17,081,978	\$ 1,107,211	\$ 1,936,594	\$ 16,252,595

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019, the City's self-insured retention limits are as follows:

<u>Type of Coverage</u>	<u>Self-Insurance Retention (SIR) (All claims up to)</u>	<u>Excess Coverage Policy (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	\$ 55,993,539
Automobile Liability	\$ 50,000	\$ 950,000
Excess Workers' Compensation	\$ 1,000,000	Unlimited
Boiler and Machinery	\$ 25,000	\$ 55,993,539

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 distresses 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, 2019**

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 Pension <u>Plan</u>	Firemen Pension <u>Plan</u>	Non-Uniformed Pension <u>Plan</u>
Inactive plan members currently receiving benefits	175	205	122
Inactive plan members entitled to but not yet receiving benefits	-	1	3
Active plan members	<u>146</u>	<u>136</u>	<u>126</u>
Total	<u>321</u>	<u>342</u>	<u>251</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 2019. 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, 2019

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, 2019. 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, 2019.

Contributions, based on the MMO, in 2019 consisted of the following:

	<u>Police Pension Plan</u>	<u>Firemen Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>	<u>Total</u>
City	\$ 2,100,737	\$ 4,252,540	\$ -	\$ 6,353,277
Commonwealth	<u>1,757,264</u>	<u>1,542,204</u>	<u>679,159</u>	<u>3,978,627</u>
Total	<u>\$ 3,858,001</u>	<u>\$ 5,794,744</u>	<u>\$ 679,159</u>	<u>\$ 10,331,904</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, 2019 is as follows:

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Plan Investments (Cont'd)

<u>Asset Class</u>	<u>Target</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	36.00%	4.90%
International Equity	13.50%	4.80%
Emerging Equity	5.50%	4.90%
Core Fixed Income	20.00%	2.40%
Intermediate Inv. Grade Corp.	10.00%	3.30%
High Yield	5.00%	3.90%
Emerging Debt	5.00%	3.90%
Cash	<u>0.00%</u>	<u>0.80%</u>
Total Net Blended Return		<u>3.93%</u>

* Excludes 2.50% inflation assumption.

Long-term Expected Rate of Return (Including Inflation) 6.43%

For the year ended December 31, 2019, the annual money weighted rate of return on pension plan investments, net of investment expense was 17.30%. 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 7.25%, 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
<u>Net Pension Liability</u>			
Police Pension Plan	\$ <u>28,909,744</u>	\$ <u>20,535,981</u>	\$ <u>13,423,880</u>
Firemen Pension Plan	\$ <u>48,716,564</u>	\$ <u>40,776,739</u>	\$ <u>33,954,995</u>
Non-Uniformed Pension Plan	\$ <u>3,986,985</u>	\$ <u>3,064,690</u>	\$ <u>2,265,513</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, 2019. The City's pension plans' total pension liability as of December 31, 2019 was \$172,055,944, less the City pension plans' fiduciary net position of \$107,678,534 resulting in a net pension liability of \$64,377,410 at December 31, 2019. Accordingly, as of December 31, 2019, the City reported a net pension liability in the government-wide statement of net-position. For the year ended December 31, 2019, the City recognized net pension expense of approximately \$(3,329,844). At December 31, 2019, 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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience:		
Police pension plan	\$ -	\$ (4,928,227)
Firemen pension plan	-	(738,380)
Non-uniformed pension plan	-	(1,032,237)
Changes in assumptions:		
Police pension plan	-	(8,425,023)
Firemen pension plan	-	(6,046,883)
Non-uniformed pension plan	468,585	-

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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	-	(1,764,861)
Firemen pension plan	-	(1,519,306)
Non-uniformed pension plan	-	(249,031)
	<u>\$ 468,585</u>	<u>\$ (24,703,948)</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>
2020	\$ (5,136,144)	\$ (5,916,985)	\$ (375,918)
2021	(5,104,672)	(2,702,791)	(372,594)
2022	(3,933,961)	260,640	31,141
2023	(974,222)	(423,283)	(95,312)
2024	30,888	331,838	-
Thereafter	-	146,012	-
	<u>\$ (15,118,111)</u>	<u>\$ (8,304,569)</u>	<u>\$ (812,683)</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, 2019, the City contributed \$491,436 to this plan.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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.

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

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

Plan Membership

The following employees were covered by the benefit terms at December 31, 2019:

	Police H & W <u>Plan</u>	Firemen H & W <u>Plan</u>	Non-Uniformed H & W <u>Plan</u>
Inactive employees or beneficiaries currently receiving benefits	170	206	100
Active employees, not fully eligible	135	114	174
Active employees, fully eligible	<u>11</u>	<u>23</u>	<u>22</u>
Total	<u>316</u>	<u>343</u>	<u>296</u>

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements. As of December 31, 2019, no trust has been established for the funding of the H & W Plan's post-employment benefit obligation.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

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

The following presents the total OPEB liability of the City, calculated using a discount rate and healthcare trend rate that is one-percentage point lower (2.25%) and one-percentage point higher (4.25%) than the current discount rate and healthcare cost trend rate:

	1% Decrease <u>2.25%</u>	Discount Rate <u>3.25%</u>	1% Increase <u>4.25%</u>
<u>Discount Rate</u>			
Police OPEB Plan	<u>\$ 98,963,743</u>	<u>\$ 88,234,107</u>	<u>\$ 79,179,069</u>
Firemen OPEB Plan	<u>\$ 93,037,768</u>	<u>\$ 83,972,754</u>	<u>\$ 76,266,762</u>
Non-Uniformed OPEB Plan	<u>\$ 36,899,686</u>	<u>\$ 33,684,784</u>	<u>\$ 30,997,847</u>
<u>Healthcare cost rate</u>			
Police OPEB Plan	<u>\$ 78,467,548</u>	<u>\$ 88,234,107</u>	<u>\$ 99,799,693</u>
Firemen OPEB Plan	<u>\$ 75,966,230</u>	<u>\$ 83,972,754</u>	<u>\$ 93,336,109</u>
Non-Uniformed OPEB Plan	<u>\$ 30,892,688</u>	<u>\$ 33,684,784</u>	<u>\$ 36,872,097</u>

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

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience:		
Police pension plan	\$ -	\$ (6,489,802)
Firemen pension plan	-	(3,249,615)
Non-uniformed pension plan	-	(405,637)

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions:		
Police pension plan	3,156,704	-
Firemen pension plan	2,501,202	-
Non-uniformed pension plan	1,050,924	-
	<u>\$ 6,708,830</u>	<u>\$ (10,145,054)</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>
2020	\$ (949,953)	\$ (274,527)	\$ 199,600
2021	(949,953)	(274,527)	199,600
2022	(949,953)	(199,359)	199,600
2023	<u>(483,239)</u>	<u>-</u>	<u>46,487</u>
	<u>\$ (3,333,098)</u>	<u>\$ (748,413)</u>	<u>\$ 645,287</u>

NOTE 15: FUND BALANCE

The following is a summary of the governmental fund balances of the City at December 31, 2019:

General Fund:

Restricted:	
Employee healthcare	\$ 578,993
Assigned	3,418,716
Unassigned	<u>7,567,700</u>
	<u>11,565,409</u>

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 15: FUND BALANCE (CONT'D)

OECD Fund:

Restricted:

Community development	1,117,255
Revolving loan fund	<u>1,663,425</u>

2,780,680

Special Cities Fund:

Restricted:

Debt payments	490,363
Debt collateral	<u>22,486,270</u>

Assigned:

Special projects	<u>3,133,840</u>
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26,110,473

Non-major Funds

Non-spendable:

Property held for resale	96,769
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Restricted:

Roads and streets	840,260
Other externally imposed restrictions	<u>534,661</u>

Assigned:

Debt payments	106,080
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Unassigned	<u>(520,899)</u>
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1,056,871

Total Governmental Fund Balance \$ 41,513,433

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 88.72% of the total taxes collected by the City in 2019. 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.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 17: RELATED PARTY TRANSACTIONS

The City paid \$887,591 to the Single Tax Office to subsidize certain operating costs of this entity. The Single Tax Office collected approximately \$44.52 million of tax revenues on behalf of the City in 2019.

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, 2019.

In December 2019, a Lackawanna County judge ruled against the City in a lawsuit which alleged that the City's Act 511 taxes violated the statutory cap provided for in Act 511, and required the City to escrow approximately \$50 million in past tax revenue and reduce its rates of taxation going forward. The City appealed the ruling to the Pennsylvania Commonwealth Court arguing that as a home rule municipality, it was not bound by Act 511's aggregate tax limit.

On October 26, 2020 the Commonwealth Court issued an opinion in favor of the City, reversing the trial court's adverse ruling. In the opinion, the court ruled that home rule charter municipalities are free to set tax rates on categories of tax authorized by Act 511 without regard to the aggregate limit established by Act 511 for non-home rule charter municipalities.

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.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 19: DISTRESSED MUNICIPALITY STATUS (CONT'D)

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 "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. In July 2020, the City approved an 18 month extension to the Exit Plan; therefore, having a new exit date of January 27, 2022.

The City's adopted Exit Plan provides the fiscal framework for the City's governing bodies to follow through 2022. The 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 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 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 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 Exit Plan.
- 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.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 19: DISTRESSED MUNICIPALITY STATUS (CONT'D)

- 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 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 to oversee management of the City's disability pensions.
- Along with the aforementioned use of SSA sale proceeds to fund economic development initiatives, the Exit Plan also recommends that the City adopt the Strategic Downtown Economic Development Plan developed by the National Resource Network.
- The 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 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.
- 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.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 19: DISTRESSED MUNICIPALITY STATUS (CONT'D)

- 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 Exit Plan's comprehensive mandates are not authorized.

NOTE 20: TAX ABATEMENTS

As of December 31, 2019, the City provides tax abatements through a program, Local Economic Revitalization Tax Assistance ("LERTA"). The City established a local LERTA to provide property tax abatements to encourage revitalization of existing land and buildings on all residential, commercial, and industrial properties located within the City. LERTA approved projects will receive a 10-year, 100% tax abatement on owner improvements to properties within the City. The exemption will begin in the year immediately following the year in which the building permit is issued. Tax exemption applies to the improvements to the land or building only and are subject to standard tax rates and terms. For the year ended December 31, 2019, the City was not able to determine the amount of taxes abated.

NOTE 21: SEWER AUTHORITY

During the year ended December 31, 2016, the Sewer Authority was sold to Pennsylvania American Water Company ("PAWC"). 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 PAWC 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 \$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.

CITY OF SCRANTON, PENNSYLVANIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 22: SUBSEQUENT EVENTS

Subsequent to year end, the World Health Organization declared the spread of the Coronavirus Disease ("COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the City is taking appropriate actions to mitigate the negative effect. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During the period from December 31, 2019 through the issuance of this report, both domestic and international equity markets have experienced large fluctuations. These fluctuations are not reflected in the financial statements as these events occurred subsequent to year end.

In January 2020, the City issued a tax anticipation note in the amount of \$12,750,000. The note was repaid prior to December 31, 2020, with interest at 3.65%.

In January 2021, the City issued a tax anticipation note in the amount of \$12,200,000. The note requires monthly interest payments at 1.201% through December 31, 2021, the maturity date of the loan.

NOTE 23: RESTATEMENT

The December 31, 2018 statement of net position overstated unearned revenue in the amount of \$1,838,210.

The December 31, 2018 balance sheets of the OECD and special cities fund overstated the amount of unearned revenue as follows:

Special Cities Fund

Overstatement of unearned revenue	<u>\$ 192,331</u>
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OECD

Overstatement of unearned revenue	<u>\$ 1,645,879</u>
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CITY OF SCRANTON, PENNSYLVANIA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION PLAN
UNAUDITED
DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:						
Service cost	\$ 1,116,612	\$ 1,109,820	\$ 1,062,029	\$ 1,300,741	\$ 1,238,801	\$ 1,093,805
Interest	5,502,284	5,569,195	5,475,400	7,797,729	7,519,247	7,050,809
Differences between expected and actual experience	(1,580,091)	-	(7,477,628)	-	(218,430)	-
Changes of assumptions	1,864,184	-	(20,511,936)	-	3,149,169	-
Benefit payments, including refunds of member contributions	<u>(5,334,084)</u>	<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	1,568,925	1,348,543	(26,790,896)	3,764,287	6,345,032	2,758,670
Total Pension Liability - Beginning	77,159,898	75,811,350	102,602,246	98,837,959	92,492,927	89,734,257
Total Pension Liability - Ending	<u>\$ 78,728,823</u>	<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	\$ 2,100,737	\$ 12,903,789	\$ 6,647,833	\$ 5,006,025	\$ 4,041,361	\$ 3,975,175
Contributions - State Aid	1,757,264	1,522,058	1,348,946	1,268,647	1,129,200	1,107,586
Contributions - Member	652,255	643,578	645,078	754,378	420,859	350,984
Net investment income	8,676,068	(1,841,689)	4,364,702	2,556,892	115,460	1,754,307
Benefit payments, including refunds of member contributions	<u>(5,332,669)</u>	<u>(5,330,472)</u>	<u>(5,338,761)</u>	<u>(5,334,183)</u>	<u>(5,343,755)</u>	<u>(5,385,989)</u>
Administrative expense	<u>(52,225)</u>	<u>(48,449)</u>	<u>(64,224)</u>	<u>(56,185)</u>	<u>(42,686)</u>	<u>(44,009)</u>
Net Change in Plan Fiduciary Net Position	7,801,430	7,848,815	7,603,574	4,195,574	320,439	1,758,054
Total Plan Fiduciary Net Position - Beginning	50,391,412	42,542,597	34,939,023	30,743,449	30,423,010	28,664,956
Total Plan Fiduciary Net Position - Ending	<u>\$ 58,192,842</u>	<u>\$ 50,391,412</u>	<u>\$ 42,542,597</u>	<u>\$ 34,939,023</u>	<u>\$ 30,743,449</u>	<u>\$ 30,423,010</u>
Plan's Net Pension Liability	<u>\$ 20,535,981</u>	<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	73.9%	65.3%	56.1%	34.1%	31.1%	32.9%
Covered employee payroll	\$ 11,000,000	\$ 10,800,000	\$ 11,000,000	\$ 10,100,000	\$ 9,700,000	\$ 8,700,000
Plan's net pension liability as a percentage of the covered employee payroll	186.7%	247.9%	302.4%	669.9%	702.0%	713.4%

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, 2019

Notes to Schedule:

Assumption Changes:

- In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.
- In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA.
- In 2017, the interest rate assumption was changed from 8.0% to 7.5% per annum, salary rates changed from 5.0% to 4.5%, cost of living adjustment assumption was removed.
- In 2019, the interest rate assumption was decreased from 7.5% to 7.25%.

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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:						
Service Cost	\$ 978,412	\$ 985,136	\$ 942,714	\$ 998,710	\$ 951,152	\$ 877,594
Interest	5,818,493	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	357,621	-	(3,178,426)	-	(784,286)	-
Changes of assumptions	1,779,419	-	(23,063,685)	-	3,694,635	-
Benefit payments, including refunds of member contributions	(6,521,054)	(6,691,385)	(6,487,711)	(6,465,804)	(6,518,785)	(6,483,409)
Net Change in Total Pension Liability	2,412,891	136,484	(25,961,002)	2,640,874	5,257,026	1,917,776
Total Pension Liability - Beginning	80,400,151	80,263,667	106,224,669	103,583,795	98,326,769	96,408,993
Total Pension Liability - Ending	\$ 82,813,042	\$ 80,400,151	\$ 80,263,667	\$ 106,224,669	\$ 103,583,795	\$ 98,326,769
Plan Fiduciary Net Position:						
Contributions - Employer	\$ 4,242,540	\$ 14,893,060	\$ 8,262,627	\$ 6,087,485	\$ 5,011,978	\$ 4,928,939
Contributions - State Aid	1,542,204	1,400,263	1,238,828	1,023,667	1,011,575	1,006,897
Contributions - Member	643,576	603,523	612,845	751,112	378,842	325,302
Net investment income	6,269,069	(1,314,210)	2,792,721	1,522,810	67,227	1,031,379
Benefit payments, including refunds of member contributions	(6,521,054)	(6,691,385)	(6,487,711)	(6,465,804)	(6,518,785)	(6,483,409)
Administrative expense	(50,615)	(46,409)	(57,437)	(48,494)	(42,078)	(50,368)
Net Change in Plan Fiduciary Net Position	6,125,720	8,844,842	6,361,873	2,870,776	(91,441)	758,740
Total Plan Fiduciary Net Position - Beginning	35,910,583	27,065,741	20,703,868	17,833,092	17,924,533	17,165,793
Total Plan Fiduciary Net Position - Ending	\$ 42,036,303	\$ 35,910,583	\$ 27,065,741	\$ 20,703,868	\$ 17,833,092	\$ 17,924,533
Plan's Net Pension Liability	\$ 40,776,739	\$ 44,489,568	\$ 53,197,926	\$ 85,520,801	\$ 85,750,703	\$ 80,402,236
Plan fiduciary net position as a percentage of the total pension liability	50.8%	44.7%	33.7%	19.5%	17.2%	18.2%
Covered employee payroll	\$ 10,700,000	\$ 10,500,000	\$ 10,500,000	\$ 9,100,000	\$ 9,000,000	\$ 7,800,000
Plan's net pension liability as a percentage of the covered employee payroll	381.1%	423.7%	506.6%	939.8%	952.8%	1,030.8%

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, 2019

Notes to Schedule:

Assumption Changes:

- In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.
- In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA.
- In 2017, the interest rate assumption was changed from 8.0% to 7.5% per annum, salary rates changed from 5.0% to 4.5%, cost of living adjustment assumption was removed.
- In 2019, the interest rate assumption was decreased from 7.5% to 7.25%.

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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:						
Service Cost	\$ 72,010	\$ 78,810	\$ 75,416	\$ 82,437	\$ 78,511	\$ 81,737
Interest	738,607	747,109	747,856	954,145	954,216	937,975
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	13,053	-	(2,557,705)	-	13,368	-
Changes of assumptions	215,631	-	498,678	-	267,267	-
Benefit payments, including refunds of member contributions	(824,422)	(818,735)	(854,513)	(997,346)	(1,077,747)	(1,110,468)
Net Change in Total Pension Liability	214,879	7,184	(2,090,268)	39,236	235,615	(90,756)
Total Pension Liability - Beginning	10,299,200	10,292,016	12,382,284	12,343,048	12,107,433	12,198,189
Total Pension Liability - Ending	\$ 10,514,079	\$ 10,299,200	\$ 10,292,016	\$ 12,382,284	\$ 12,343,048	\$ 12,107,433
Plan Fiduciary Net Position:						
Contributions - Employer	\$ -	\$ 2,307,517	\$ 276,383	\$ 43,056	\$ 245,284	\$ 271,319
Contributions - State Aid	679,159	759,299	1,036,945	979,014	862,584	836,499
Contributions - Member	41,916	42,478	35,253	36,606	37,141	37,752
Net investment income	1,110,568	(238,160)	470,219	270,237	12,956	200,183
Benefit payments, including refunds of member contributions	(824,422)	(818,735)	(854,513)	(997,346)	(1,077,747)	(1,110,468)
Administrative expense	(67,831)	(66,719)	(111,870)	(109,478)	(92,284)	(48,723)
Net Change in Plan Fiduciary Net Position	939,390	1,985,680	852,417	222,089	(12,066)	186,562
Total Plan Fiduciary Net Position - Beginning	6,509,999	4,524,319	3,671,902	3,449,813	3,461,879	3,275,317
Total Plan Fiduciary Net Position - Ending	\$ 7,449,389	\$ 6,509,999	\$ 4,524,319	\$ 3,671,902	\$ 3,449,813	\$ 3,461,879
Plan's Net Pension Liability	\$ 3,064,690	\$ 3,789,201	\$ 5,767,697	\$ 8,710,382	\$ 8,893,235	\$ 8,645,554
Plan fiduciary net position as a percentage of the total pension liability	70.9%	63.2%	44.0%	29.7%	27.9%	28.6%
Covered employee payroll	\$ 5,900,000	\$ 5,800,000	\$ 5,800,000	\$ 5,400,000	\$ 5,300,000	\$ 5,300,000
Plan's net pension liability as a percentage of the covered employee payroll	51.90%	65.3%	99.4%	161.3%	167.8%	163.1%

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, 2019

Notes to Schedule:

Assumption Changes:

- In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.
- In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA.
- In 2017, the interest rate assumption was changed from 8.0% to 7.5% per annum, salary rates changed from 5.0% to 4.5%, cost of living adjustment assumption was removed.
- In 2019, the interest rate assumption was decreased from 7.5% to 7.25%.

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 6 FISCAL YEARS
UNAUDITED
DECEMBER 31, 2019**

	<u>2019</u>	<u>2018**</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Police Pension Plan</u>						
Actuarially determined contribution	\$ 3,858,001	\$ 4,042,020	\$ 7,996,779	\$ 6,274,672	\$ 5,170,561	\$ 5,082,761
Contributions in relation to the actuarially determined contribution	<u>3,858,001</u>	<u>4,042,020</u>	<u>7,996,779</u>	<u>6,274,672</u>	<u>5,170,561</u>	<u>5,082,761</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	<u>\$ 11,000,000</u>	<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	<u>35.0%</u>	<u>37.40%</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.

Firemen Pension Plan

Actuarially determined contribution	\$ 5,784,744	\$ 5,909,496	\$ 9,501,455	\$ 7,111,152	\$ 6,023,553	\$ 5,935,833
Contributions in relation to the actuarially determined contribution	<u>5,784,744</u>	<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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	<u>\$ 10,700,000</u>	<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	<u>54.06%</u>	<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 6 FISCAL YEARS
UNAUDITED
DECEMBER 31, 2019

	<u>2019</u>	<u>2018**</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Non-Uniformed Pension Plan</u>						
Actuarially determined contribution	\$ 679,159	\$ 754,924	\$ 1,313,328	\$ 1,014,228	\$ 1,107,868	\$ 1,107,818
Contributions in relation to the actuarially determined contribution	<u>679,159</u>	<u>754,924</u>	<u>1,313,328</u>	<u>1,014,228</u>	<u>1,107,868</u>	<u>1,107,818</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 5,900,000</u>	<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	<u>11.51%</u>	<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, 2019**

Valuation date	January 1, 2019
Actuarially cost method	Entry Age
Amortization method	Level Dollar
Remaining amortization period:	
Police Pension Plan	13 Years
Firemen Pension Plan	N/A
Non-Uniform Pension Plan	6 Years
Asset valuation method	5 year smoothing method described in IRS revenue procedure 2000-40, approval 16
Inflation	2.25%
Salary increases	4.50%
Investment rate of return	7.25% (Net of pension plan investment expense including inflation)
Retirement age:	
Police Pension Plan	Normal Retirement: Pre 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, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:			
Service cost	\$ 1,936,823	\$ 1,944,712	\$ 1,860,968
Interest	2,831,526	3,355,732	3,282,304
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(8,339,434)	-	-
Changes of assumptions	4,056,383	-	-
Benefit payments, including refunds of member contributions	<u>(3,442,579)</u>	<u>(3,301,054)</u>	<u>(3,236,828)</u>
Net Change in Total OPEB Liability	(2,957,281)	1,999,390	1,906,444
Total OPEB Liability - Beginning	<u>91,191,388</u>	<u>89,191,998</u>	<u>87,285,554</u>
Total OPEB Liability - Ending	<u>\$ 88,234,107</u>	<u>\$ 91,191,388</u>	<u>\$ 89,191,998</u>
Covered Employee Payroll**	<u>\$ 10,909,303</u>	<u>\$ 11,131,665</u>	<u>\$ 10,652,311</u>
Total OPEB liability as a percentage of covered payroll	<u>808.80%</u>	<u>819.21%</u>	<u>837.30%</u>

** The 2017 and 2018 Covered Employee Payroll has been corrected, which in turn changes the Net OPEB liability as a percent of payroll for both 2017 and 2018.

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, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:			
Service cost	\$ 1,683,383	\$ 1,667,677	\$ 1,595,863
Interest	2,715,315	3,157,210	3,134,550
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(4,441,610)	-	-
Changes of assumptions	3,418,670	-	-
Benefit payments, including refunds of member contributions	<u>(4,581,447)</u>	<u>(4,342,091)</u>	<u>(4,053,806)</u>
Net Change in Total OPEB Liability	(1,205,689)	482,796	676,607
Total OPEB Liability - Beginning	<u>85,178,443</u>	<u>84,695,647</u>	<u>84,019,040</u>
Total OPEB Liability - Ending	<u>\$ 83,972,754</u>	<u>\$ 85,178,443</u>	<u>\$ 84,695,647</u>
Covered Employee Payroll**	<u>\$ 10,454,391</u>	<u>\$ 10,779,911</u>	<u>\$ 10,315,704</u>
Total OPEB liability as a percentage of covered payroll	<u>803.23%</u>	<u>790.16%</u>	<u>821.04%</u>

** The 2017 and 2018 Covered Employee Payroll has been corrected, which in turn changes the Net OPEB liability as a percent of payroll for both 2017 and 2018.

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, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:			
Service cost	\$ 135,273	\$ 176,021	\$ 168,441
Interest	1,092,334	1,253,361	1,275,585
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(531,108)	-	-
Changes of assumptions	1,375,995	-	-
Benefit payments, including refunds of member contributions	<u>(2,035,663)</u>	<u>(2,056,734)</u>	<u>(2,031,766)</u>
Net Change in Total OPEB Liability	36,835	(627,352)	(587,740)
Total OPEB Liability - Beginning	<u>33,647,949</u>	<u>34,275,301</u>	<u>34,863,041</u>
Total OPEB Liability - Ending	<u>\$ 33,684,784</u>	<u>\$ 33,647,949</u>	<u>\$ 34,275,301</u>
Covered Employee Payroll	<u>\$ 8,126,092</u>	<u>\$ 8,750,292</u>	<u>\$ 8,373,485</u>
Total OPEB liability as a percentage of covered payroll	<u>414.53%</u>	<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, 2019**

Valuation date	January 1, 2019
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	3.25%

CITY OF SCRANTON, PENNSYLVANIA

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2019**

	<u>Budget Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
REVENUE:				
Taxes	\$ 75,056,769	\$ 75,056,769	\$ 74,058,225	\$ (998,544)
Intergovernmental	6,659,966	6,659,966	622,681	(6,037,285)
Department earnings	267,125	267,125	378,649	111,524
Refuse disposal fees	7,267,500	7,267,500	7,052,487	(215,013)
Licenses and permits	2,057,004	2,057,004	2,452,580	395,576
Cable television franchise revenue	850,000	850,000	1,024,729	174,729
Payments in lieu of taxes	250,000	250,000	245,338	(4,662)
Other revenues	745,450	745,450	989,567	244,117
Rents and concessions	5,000	5,000	5,500	500
Total Revenue	<u>93,158,814</u>	<u>93,158,814</u>	<u>86,829,756</u>	<u>(6,329,058)</u>
EXPENDITURES:				
General government	19,208,260	19,208,260	13,987,197	(5,221,063)
Public safety	47,665,296	47,665,296	44,399,646	(3,265,650)
Public works	15,163,225	15,163,225	12,622,744	(2,540,481)
Culture and recreation	1,629,274	1,629,274	957,249	(672,025)
Debt service	11,927,277	11,927,277	11,727,887	(199,390)
Capital outlay	-	-	3,517,656	3,517,656
Total Expenditures	<u>95,593,332</u>	<u>95,593,332</u>	<u>87,212,379</u>	<u>(8,380,953)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(2,434,518)</u>	<u>(2,434,518)</u>	<u>(382,623)</u>	<u>2,051,895</u>
Other Financing Sources (Uses):				
Proceeds from tax anticipation note	12,750,000	12,750,000	12,750,000	-
Proceeds from leases	-	-	416,112	416,112
Sale of assets	1,000	1,000	-	(1,000)
Repayment of tax anticipation note	(13,215,375)	(13,215,375)	(12,946,598)	268,777
Court award	(725,000)	(725,000)	(384,621)	340,379
Bond issuance	1,100	1,100	-	(1,100)
Operating transfers in	4,147,793	4,147,793	3,248,385	(899,408)
Operating transfers out	(525,000)	(525,000)	(24,796,308)	(24,271,308)
Total Other Financing Sources (Uses)	<u>2,434,518</u>	<u>2,434,518</u>	<u>(21,713,030)</u>	<u>(24,147,548)</u>
CHANGE IN FUND BALANCE	-	-	(22,095,653)	-
FUND BALANCE - Beginning	-	-	33,661,062	-
FUND BALANCE - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,565,409</u>	<u>\$ -</u>

See independent auditors' report.

CITY OF SCRANTON, PENNSYLVANIA

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND (CONT'D)
YEAR ENDED DECEMBER 31, 2019**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE:				
Taxes				
Act 511:				
Wage	\$ 28,587,533	\$ 28,587,533	\$ 28,183,962	\$ (403,571)
Delinquent wage tax	105,000	105,000	66,094	(38,906)
Real estate transfer	3,376,000	3,376,000	2,692,849	(683,151)
Mercantile	1,605,000	1,605,000	1,269,981	(335,019)
Business Privilege	1,480,250	1,480,250	1,110,625	(369,625)
Amusement tax	385,000	385,000	397,550	12,550
Local service tax	4,653,335	4,653,335	4,932,405	279,070
Delinquent mercantile	100,000	100,000	53,723	(46,277)
Delinquent business privilege	400,000	400,000	108,195	(291,805)
Total Act 511	<u>40,692,118</u>	<u>40,692,118</u>	<u>38,815,384</u>	<u>(1,876,734)</u>
Current real estate	13,410,680	13,410,680	20,930,810	7,520,130
Current real estate tax land	18,634,371	18,634,371	9,855,685	(8,778,686)
Delinquent real estate	1,475,000	1,475,000	4,125,767	2,650,767
Public utility	75,000	75,000	65,989	(9,011)
Non-resident wage tax	520,000	520,000	-	(520,000)
Penalties and interest	249,600	249,600	264,590	14,990
Total Taxes	<u>75,056,769</u>	<u>75,056,769</u>	<u>74,058,225</u>	<u>(998,544)</u>
Intergovernmental:				
Supplemental state assisted pension	3,600,000	3,600,000	-	(3,600,000)
Act 47 grants	100	100	193,750	193,650
Fire safety grant	3,059,866	3,059,866	428,931	(2,630,935)
Total Intergovernmental	<u>6,659,966</u>	<u>6,659,966</u>	<u>622,681</u>	<u>(6,037,285)</u>
Departmental earnings:				
Parking meters	27,125	27,125	7,550	(19,575)
Pave cuts	215,000	215,000	276,262	61,262
Alarm fees	25,000	25,000	67,943	42,943
Zoning	-	-	26,894	26,894
Total departmental earnings	<u>267,125</u>	<u>267,125</u>	<u>378,649</u>	<u>111,524</u>

See independent auditors' report.

CITY OF SCRANTON, PENNSYLVANIA

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND (CONT'D)
YEAR ENDED DECEMBER 31, 2019**

	<u>Budget Amounts</u>			<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUE:				
Refuse disposal fees	7,267,500	7,267,500	7,052,487	(215,013)
Licenses and permits	2,057,004	2,057,004	2,452,580	395,576
Cable television franchise revenue	850,000	850,000	1,024,729	174,729
Payments in lieu of taxes	250,000	250,000	245,338	(4,662)
Rents and concessions	5,000	5,000	5,500	500
Other revenues:				
Interest income	150,000	150,000	347,738	197,738
User fees	45,500	45,500	39,047	(6,453)
Fines and forfeits	347,850	347,850	442,106	94,256
Donations	100	100	-	(100)
Other	202,000	202,000	160,676	(41,324)
Total Revenue	<u>\$ 93,158,814</u>	<u>\$ 93,158,814</u>	<u>\$ 86,829,756</u>	<u>\$ (6,329,058)</u>

See independent auditors' report.

CITY OF SCRANTON, PENNSYLVANIA

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND (CONT'D)
YEAR ENDED DECEMBER 31, 2019**

	<u>Budget Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
EXPENDITURES				
General Government:				
Salaries and wages	\$ 3,094,381	\$ 3,094,381	\$ 2,895,459	\$ (198,922)
Employee benefits	5,047,044	5,047,044	4,006,307	(1,040,737)
Workers' compensation	3,300,718	3,300,718	1,801,600	(1,499,118)
General insurance	1,285,000	1,285,000	1,162,117	(122,883)
Office supplies and expenses	157,350	157,350	237,993	80,643
Professional fees	1,384,864	1,384,864	1,112,385	(272,479)
Telephone	200,000	200,000	240,995	40,995
Equipment	720,500	720,500	655,146	(65,354)
Utilities	745,000	745,000	764,902	19,902
Other	<u>3,273,404</u>	<u>3,273,404</u>	<u>1,110,293</u>	<u>(2,163,111)</u>
Total General Government	<u>19,208,260</u>	<u>19,208,260</u>	<u>13,987,197</u>	<u>(5,221,063)</u>
Public Safety:				
Salaries and wages	24,625,913	24,625,913	24,211,115	(414,798)
Employee benefits	21,252,007	21,252,007	19,385,775	(1,866,232)
Supplies	76,000	76,000	70,065	(5,935)
Equipment	1,305,750	1,305,750	368,237	(937,513)
Training	158,500	158,500	145,974	(12,526)
Professional fees	160,150	160,150	154,408	(5,742)
Other	<u>86,976</u>	<u>86,976</u>	<u>64,072</u>	<u>(22,904)</u>
Total Public Safety	<u>47,665,296</u>	<u>47,665,296</u>	<u>44,399,646</u>	<u>(3,265,650)</u>
Public Works:				
Salaries and wages	4,620,426	4,620,426	4,516,339	(104,087)
Employee benefits	2,615,935	2,615,935	2,690,317	74,382
Supplies	416,950	416,950	305,289	(111,661)
Professional fees	92,040	92,040	84,726	(7,314)
Equipment	1,894,498	1,894,498	1,089,985	(804,513)
Landfill fees	1,300,000	1,300,000	1,400,834	100,834
Road resurfacing	875,000	875,000	1,150,136	275,136
Flood Protection	1,973,900	1,973,900	79,208	(1,894,692)
Salt	425,000	425,000	454,575	29,575
Street lighting	771,476	771,476	851,149	79,673
Training	2,000	2,000	186	(1,814)
Other	<u>176,000</u>	<u>176,000</u>	<u>-</u>	<u>(176,000)</u>
Total Public Works	<u>15,163,225</u>	<u>15,163,225</u>	<u>12,622,744</u>	<u>(2,540,481)</u>

See independent auditors' report.

CITY OF SCRANTON, PENNSYLVANIA

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND (CONT'D)
YEAR ENDED DECEMBER 31, 2019**

	<u>Budget Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Culture and Recreation:				
Salaries and wages	675,334	675,334	642,990	(32,344)
Employee benefits	2,940	2,940	2,940	-
Supplies	52,000	52,000	56,047	4,047
Programs	24,000	24,000	18,204	(5,796)
Equipment	875,000	875,000	237,068	(637,932)
Total Culture and Recreation	1,629,274	1,629,274	957,249	(672,025)
Debt Service payments	11,927,277	11,927,277	11,727,887	(199,390)
Capital outlay	-	-	3,517,656	3,517,656
Total Expenditures	95,593,332	95,593,332	87,212,379	(8,380,953)
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(2,434,518)</u>	<u>(2,434,518)</u>	<u>(382,623)</u>	<u>2,051,895</u>
Other Financing Sources (Uses)				
Proceeds from tax anticipation notes	12,750,000	12,750,000	12,750,000	-
Proceeds from leases	-	-	416,112	416,112
Sale of assets	1,000	1,000	-	(1,000)
Repayments of tax anticipation notes	(13,215,375)	(13,215,375)	(12,946,598)	268,777
Court award	(725,000)	(725,000)	(384,621)	340,379
Bond issuance	1,100	1,100	-	(1,100)
Operating transfers out	(525,000)	(525,000)	(24,796,308)	(24,271,308)
Operating transfers in from:				
Other funds	1,808,252	1,808,252	1,019,423	(788,829)
Liquid fuels fund	2,339,541	2,339,541	2,228,962	(110,579)
Net Other Financing Sources (Uses)	2,434,518	2,434,518	(21,713,030)	(24,147,548)
CHANGE IN FUND BALANCE	-	-	(22,095,653)	(22,095,653)
FUND BALANCE - Beginning	-	-	33,661,062	-
FUND BALANCE - Ending	\$ -	\$ -	\$ 11,565,409	\$ -

See independent auditors' report.

CITY OF SCRANTON, PENNSYLVANIA

**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>Liquid Fuels</u>	<u>Redevelopment Authority</u>	<u>Debt Service</u>	<u>Total Non-major Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 840,260	\$ 547,509	\$ -	\$ 1,387,769
Loans receivable	-	35,965	-	35,965
Restricted cash and cash equivalents	-	-	106,080	106,080
Property held for resale	-	96,769	-	96,769
	<u>-</u>	<u>96,769</u>	<u>-</u>	<u>96,769</u>
Total Assets	<u>\$ 840,260</u>	<u>\$ 680,243</u>	<u>\$ 106,080</u>	<u>\$ 1,626,583</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 143	\$ -	\$ 143
Due to other funds	-	533,603	-	533,603
	<u>-</u>	<u>533,603</u>	<u>-</u>	<u>533,603</u>
Total Liabilities	<u>-</u>	<u>533,746</u>	<u>-</u>	<u>533,746</u>
DEFERRED INFLOW OF RESOURCES:				
Unavailable revenues	-	35,966	-	35,966
	<u>-</u>	<u>35,966</u>	<u>-</u>	<u>35,966</u>
FUND BALANCE:				
Non-spendable	-	96,769	-	96,769
Restricted for externally imposed restrictions	840,260	534,661	-	1,374,921
Assigned	-	-	106,080	106,080
Unassigned	-	(520,899)	-	(520,899)
	<u>-</u>	<u>(520,899)</u>	<u>-</u>	<u>(520,899)</u>
Total Fund Balance	<u>840,260</u>	<u>110,531</u>	<u>106,080</u>	<u>1,056,871</u>
	<u>\$ 840,260</u>	<u>\$ 680,243</u>	<u>\$ 106,080</u>	<u>\$ 1,626,583</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, 2019**

	<u>Liquid Fuels</u>	<u>Redevelopment Authority</u>	<u>Debt Service</u>	<u>Total Non-major Governmental Funds</u>
Revenues:				
Intergovernmental	\$ 2,396,178	\$ 11,403	\$ -	\$ 2,407,581
Interest income	15,937	240	2,930	19,107
Other revenues	-	106	-	106
Rents	-	5,360	-	5,360
	<u>2,412,115</u>	<u>17,109</u>	<u>2,930</u>	<u>2,432,154</u>
Total Revenues				
Expenditures:				
Current:				
General government	-	-	2,080	2,080
Community development	-	22,895	-	22,895
Debt service:				
Principal	-	-	325,000	325,000
Interest	-	-	135,675	135,675
	<u>-</u>	<u>22,895</u>	<u>462,755</u>	<u>485,650</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,412,115</u>	<u>(5,786)</u>	<u>(459,825)</u>	<u>1,946,504</u>
Other Financing Sources (Uses):				
Operating transfers in	-	-	425,000	425,000
Operating transfers out	(2,228,962)	-	-	(2,228,962)
	<u>(2,228,962)</u>	<u>-</u>	<u>425,000</u>	<u>(1,803,962)</u>
Total Other Financing Sources (Uses)				

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, 2019**

	<u>Liquid Fuels</u>	<u>Redevelopment Authority</u>	<u>Debt Service</u>	Total Non-major Governmental Funds
CHANGE IN FUND BALANCE	183,153	(5,786)	(34,825)	142,542
FUND BALANCE - Beginning	<u>657,107</u>	<u>116,317</u>	<u>140,905</u>	<u>914,329</u>
FUND BALANCE - Ending	<u>\$ 840,260</u>	<u>\$ 110,531</u>	<u>\$ 106,080</u>	<u>\$ 1,056,871</u>

See independent auditors' report.