CITY OF SCRANTON, PENNSYLVANIA

Financial Statements Together with
Report of Independent Public Accountants

For the Year Ended December 31, 2016

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

DECEMBER 31, 2016

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Honorable Members of the City Council of
City of Scranton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Scranton (the City), as of and for the year ended December 31, 2016, 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

The City's 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 Sewer Authority (business-type activity fund) or the Redevelopment Authority, which represents 100 percent of the assets, net position and revenue of the business-type activity fund and 9 percent, 7 percent, and 2 percent, respectively, of the assets, fund balances, and 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 Sewer Authority or the Redevelopment Authority, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity's preparation and fair presentation of the 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 entity'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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the governmental activities and aggregate discretely presented component unit and unmodified audit opinions on the business-type activities, major funds and aggregate remaining fund information.

Summary of Opinions

Opinion Unit	***Type of Opinion***
Entity-Wide:	
Governmental Activities	Adverse
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Unit	Adverse
Fund:	
General Fund	Unmodified
OECD Fund	Unmodified
Non-major Governmental Funds	Unmodified
Sewer Authority	Unmodified
Internal Service Fund	Unmodified
Pension Trust Fund	Unmodified

Basis for Adverse Opinion on Governmental Activities

Accounting principles generally accepted in the United States of America require that net pension liability's discount rate be calculated at a single rate that reflects both the long-term expected rate of return and the yield for 20-year, tax-exempt general obligation municipal bonds, to the extent that the investments are not expected to be sufficient to make projected benefit payments. Management has used a single rate commensurate with only the long-term rate of return for investments with it being reasonably expected the pension plans would not have sufficient funding to make all projected benefit payments. Management has not recorded the net pension liability using a single blended discount rate that reflects both the long-term expected rate of return and the yield for 20-year, tax-exempt general obligation municipal bonds, in governmental activities and, accordingly, has not recorded an expense for the change in that liability. The amount by which this departure would affect the liabilities, pension related deferred inflows and outflows, net position, and expenses of the governmental activities is not reasonably determinable but is estimated by management to be material.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Governmental Activities paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the City, as of December 31, 2016, and the changes in its financial position thereof for the year then ended.

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Basis for Adverse Opinion on the Reporting Entity

The financial statements referred to above include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments, and offices 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 Reporting Entity paragraph, the primary government financial statements referred to above do not present fairly the financial position of the reporting entity of the City, as of December 31, 2016, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-Type Activities, 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 business-type activities, each major fund not covered by our opinion in the previous paragraphs, and the aggregate remaining fund information for the primary government of the City, as of December 31, 2016, and the respective changes in their 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 13 Commitments and Contingencies, the Police and Fire Departments union agreements expired at the end of 2002, and the two unions have been involved in various lawsuits with the City. In 2011 and 2012, the City received rulings that upheld back pay, apparatus and shift manning issues, and health care in favor of the unions. During the year ended December 31, 2016, the City paid $31,310,879 related to the lawsuit. Our opinion is not modified with respect to this matter.

In September 2012, the Parking Authority of the City of Scranton was appointed a court ordered receivership estate. The receivership estate is a separate legal entity and is not included in the financial statements of the Authority. Our opinion is not modified with respect to this matter.

As discussed in Note 14, Distressed Municipality Status, the City was declared a distressed municipality under the Financially Distressed Municipalities Act in 1992. On August 24, 2012, the City revised and updated its Act 47 recovery plan. The 2015 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.

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Ad discussed in Note 17, during the year ended December 31, 2016, the Sewer Authority was sold to a third party. The City received $66,519,986 as part of the sale. The financial results of the Sewer Authority are shown through March 31, 2016, with no adjustments made for the sale, as the sale occurred after the Sewer Authority's fiscal year end of March 31. 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 management's discussion and analysis, budgetary comparison information, schedules of changes in pension fund net pension liability and related ratios and schedules of employer contributions for the Police, Firemen and Non-uniformed Pension Plans, and the schedule of funding progress and schedule of employer contributions for other post-employment benefits 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.

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 individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 by us and the other auditors. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Philadelphia, Pennsylvania
July 11, 2017

SB & Company, LLC

Management's Discussion and Analysis
For the Year Ended December 31, 2016

As management of the City of Scranton, Pennsylvania (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Scranton for the fiscal year ended December 31, 2016. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

The City continues to participate in the Commonwealth of Pennsylvania Act 97 for the financial distressed municipal program.

1. The liabilities of the City exceeded its assets as of December 31, 2016, by $128,541,343 (net deficit). See Note 18.
2. The City's total net position increased by $58,564,504, primarily due to the sale of the Sewer Authority.
3. As of December 31, 2016, the City's governmental fund reported an ending unassigned fund balance of $74,990,371, an increase from the prior year of $70,283,091.
4. Subsequent to the Sewer Authority's fiscal year end (March 31, 2016), the Sewer Authority was sold. The City received $66,519,986 as a part of the sale.
5. The City has elected not to include the Parking Authority financial statements in the financial statements; as such, the information has been excluded. Additionally, the Parking Authority was in receivership and leased during the year ended December 31, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. In general, the purpose of financial reporting is to provide external parties who read financial statements with information that will help them make decisions or draw conclusions about an entity. There are many external parties that read the City's financial statements; however, these parties do not always have the same specific objectives. In order to address the needs of as many parties as reasonably possible, the City, in accordance with required reporting standards, presents 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide financial statements

The focus of government-wide financial statements is on the overall financial position and activities of the City. These financial statements are constructed around the concept of a primary government, the City.

Overview of the Financial Statements (continued)

Government-Wide financial statements (continued)

The City's government-wide financial statements include the statement of net position and the statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the net position held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the asset and infrastructure as assets even though they are not available to pay the obligations incurred by the City. On the other hand, the City reports liabilities, such as long-term bonds payable, even though these liabilities might not be paid until several years in the future.

The difference between the City's total assets and total liabilities is labeled as net position and this difference is similar to the total owners' equity presented by a commercial enterprise. Although the purpose of the City is not to accumulate net position, in general, as this amount increases, it indicates that the financial position of the City is improving over time.

The purpose of the statement of activities is to present the revenue and expenses of the City. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial entity in that revenue is recognized when earned or established criteria are satisfied and expenses are reported when incurred by the City. Thus, revenue is reported even when it may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the City reports an amount described as *change in net position*, essentially the same thing.

The focus of the statement of activities is on the *net cost* of various activities provided by the City. The statement begins with a column that identifies the cost of each of the City's major functions. Another column identifies the revenue that is specifically related to the classified governmental functions. The difference between the expenses and revenue related to specific program/activities identifies the extent to which each function of the City draws from the general revenue or is self-financing through fees, intergovernmental aid, or other sources of resources.

The primary government is divided into governmental activities and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenue, and other non-exchange revenue, while business-type activities are financed to some degree by charging external parties for the goods or services they acquire from the City.

Governmental activities include programs/activities such as general government, public safety, public works, and parks recreation and culture. Business-type activities, an integral part of the City's activities and responsibilities, primarily include the City's water and sewer services.

Overview of the Financial Statements (continued)

Government-wide financial statements (continued)

The government-wide financial statements can be found on pages 16 - 18 of this report.

Fund financial statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over the resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The City's fund financial statements are divided into two broad categories, namely, (1) governmental funds, and (2) proprietary funds.

Governmental fund

Governmental fund financial statements consist of a balance sheet and statement of revenue, expenditures, and change in fund balance and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The City maintains seven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and change in fund balance. There is also a combining schedule in the supplementary information section for the non-major funds.

The City adopts an annual appropriated budget for its general and proprietary fund. A budgetary comparison statement for the general fund has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 19 - 23 of this report.

Overview of the Financial Statements (continued)

Proprietary fund

Proprietary fund financial statements consist of a statement of net position, statement of revenue, expenses, and change in fund net position and statement of cash flows, and are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements.

The City maintains two types of proprietary funds, the enterprise fund and the internal service fund. The City uses enterprise funds to account for business-type activities that charge fees to customers for the use of specific goods and services. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to primarily account for its sanitary sewer and water distribution operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24 - 26 of this report.

Notes to basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 -81 of this report.

Supplementary information

The schedule on page 92 of this report provides additional information about the City's general fund revenue and expenditures including a budget comparison.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities exceeded assets by $128,541,343, as of December 31, 2016.

All of the City's assets reflect its investment in capital assets (e.g., land, buildings, equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis
For the Year Ended December 31, 2016

Government-Wide Financial Analysis (continued)

Our following analysis focuses on the net position and changes in net position of the City's governmental and business-type activities.

CONDENSED STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2016 AND 2015

	Governmental Activities		Business-Type Activities (March 31,)		Total Primary Government	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Assets						
Current assets	**$ 136,215,855**	$ 48,156,941	**$ 19,625,373**	$ 18,651,823	**$ 155,841,228**	$ 66,808,764
Restricted assets	**631,658**	759,100	**23,865,287**	26,793,956	**24,496,945**	27,553,056
Capital assets, net	**84,117,565**	84,872,274	**81,731,134**	74,660,819	**165,848,699**	159,533,093
Total Assets	**220,965,078**	133,788,315	**125,221,794**	120,106,598	**346,186,872**	253,894,913
Total Deferred Outflow of Resources	**6,037,815**	8,576,468	**920,916**	880,786	**6,958,731**	9,457,254
Liabilities						
Current liabilities	**32,275,979**	14,309,862	**7,263,516**	5,740,776	**39,539,495**	20,050,638
Long-term liabilities	**374,360,843**	362,182,051	**60,720,427**	59,886,012	**435,081,270**	422,068,063
Unearned revenue	**6,487,323**	7,465,259	**-**	-	**6,487,323**	7,465,259
Total Liabilities	**413,124,145**	383,957,172	**67,983,943**	65,626,788	**481,108,088**	449,583,960
Total Deferred Inflows of Resources	**564,870**	788,793	**13,988**	85,261	**578,858**	874,054
Net Position						
Net investment in capital assets	**63,712,989**	67,337,854	**20,651,752**	14,373,795	**84,364,741**	81,711,649
Restricted	**631,658**	759,100	**25,317,840**	23,580,216	**25,949,498**	24,339,316
Unrestricted	**(251,030,769)**	(310,478,136)	**12,175,187**	17,321,324	**(238,855,582)**	(293,156,812)
Total Net Position	**$ (186,686,122)**	$ (242,381,182)	**$ 58,144,779**	$ 55,275,335	**$ (128,541,343)**	$ (187,105,847)

For more information on the statement of net position see pages 16 and 17.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

As of December 31, 2016, the City was able to report positive balances in the two categories of net position for its governmental activities. The same situation existed as of December 31, 2015.

Government-Wide Financial Analysis (continued)

CONDENSED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Governmental Activities		Business-Type Activities (March 31,)		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenue						
Program revenue						
Fees, fines, and charges for services	**$ 11,159,117**	$ 11,953,913	**$ 22,394,174**	$ 22,694,320	**$ 33,553,291**	$ 34,648,233
Operating grants and contributions	**16,022,847**	11,931,798	**-**	-	**16,022,847**	11,931,798
Capital grants and contributions	**-**	-	**97,753**	-	**97,753**	-
General revenues						
Property taxes	**36,441,398**	29,917,656	**-**	-	**36,441,398**	29,917,656
Act 511 taxes	**36,820,000**	34,477,500	**-**	-	**36,820,000**	34,477,500
Cable TV franchise revenue	**1,016,420**	920,921	**-**	-	**1,016,420**	920,921
Payment in lieu of taxes	**60,791**	160,734	**-**	-	**60,791**	160,734
Investment earnings	**8,670**	2,783	**12,830**	69,933	**21,500**	72,716
Donations	**-**	-	**-**	-	**-**	-
Miscellaneous	**980,395**	2,118,701	**177,857**	288,866	**1,158,252**	2,407,567
Rent and concessions	**12,210**	6,500	**-**	-	**12,210**	6,500
Sale of Sewer Authority	**66,519,968**	-	**-**	-	**66,519,968**	-
Total Revenue and Transfers	**169,041,816**	91,490,506	**22,682,614**	23,053,119	**191,724,430**	114,543,625
Expenses						
General government and admin	**25,339,870**	29,999,853	**-**	-	**25,339,870**	29,999,853
Public safety	**51,164,481**	45,334,848	**-**	-	**51,164,481**	45,334,848
Public works	**20,852,406**	14,461,856	**-**	-	**20,852,406**	14,461,856
Community development	**4,766,949**	7,236,926	**-**	-	**4,766,949**	7,236,926
Cultural and recreation	**1,166,868**	1,108,404	**-**	-	**1,166,868**	1,108,404
Unallocated depreciation	**-**	-	**-**	-	**-**	-
Interest and fees on long term debt	**10,056,182**	6,873,215	**-**	-	**10,056,182**	6,873,215
Enterprise expenses						
Sewer authority	**-**	-	**19,813,170**	16,946,284	**19,813,170**	16,946,284
Total Expenses	**113,346,756**	105,015,102	**19,813,170**	16,946,284	**133,159,926**	121,961,386
Change in net position	**55,695,060**	(13,524,596)	**2,869,444**	6,106,835	**58,564,504**	(7,417,761)
Net position, beginning of year	**(242,381,182)**	(228,856,586)	**55,275,335**	49,168,500	**(187,105,847)**	(179,688,086)
Net Position, End of Year	**$ (186,686,122)**	$ (242,381,182)	**$ 58,144,779**	$ 55,275,335	**$ (128,541,343)**	$ (187,105,847)

For more information on the statement of activities, see page 18.

Government-Wide Financial Analysis (continued)

Governmental Activities

Governmental activities increased the City's net position by $55,695,060, for the year ended December 31, 2016 as a result of the sale of the Sewer Authority.

Business-type Activities

Business-type activities increased the City's net position as of March 31, 2016 by $2,869,444.

Fund Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental fund is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The unassigned fund balance represents 89% of general fund expenditures.

The fund balance of the City's general fund increased due to proceeds from the sale of the Sewer Authority.

Proprietary Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Changes in the activity were previously discussed.

Management's Discussion and Analysis
For the Year Ended December 31, 2016

General Fund Budgetary Highlights

No changes were made to the original budget for the City.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, was $165,848,699. The investment in capital assets includes land, buildings, machinery and equipment, park facilities and infrastructure. The total net increase in the City's investment in capital assets for the year ended December 31, 2016, was $6,315,606.

	Governmental Activities		Business-Type Activities (March 31,)		Total Primary Government	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Land & land improvement	**$ 3,485,506**	$ 3,485,506	**$ 130,029**	$ 130,029	**$ 3,615,535**	$ 3,615,535
Buildings & building improvements	**20,803,777**	20,798,427	**148,255,982**	122,165,115	**169,059,759**	142,963,542
Infrastructure	**132,206,565**	132,206,565	**-**	-	**132,206,565**	132,206,565
Furniture, equipment and vehicles	**22,860,848**	19,636,802	**5,763,487**	4,902,403	**28,624,335**	24,539,205
Construction in progress	**2,406,437**	690,531	**13,582,943**	30,168,694	**15,989,380**	30,859,225
Accumulated depreciation	**(97,645,569)**	(91,945,557)	**(86,001,307)**	(82,705,422)	**(183,646,876)**	(174,650,979)
Total Capital Assets, Net	**$ 84,117,565**	$ 84,872,274	**$ 81,731,134**	$ 74,660,819	**$ 165,848,699**	$ 159,533,093

Additional information on the City's capital assets can be found in Note 5 on page 46 of this report. The sewer authority was sold in December of 2016.

Debt Administration

The City's outstanding debt as of December 31, 2016 and 2015, was as follows:

	Governmental Activities		Business-Type Activities (March 31,)		Total Primary Government	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Beginning Balance	**$ 123,462,032**	$ 125,146,651	**$ 61,932,549**	$ 57,236,215	**$ 185,394,581**	$ 182,382,866
Issued debt	**76,546,046**	4,997,170	**10,583,023**	16,253,900	**87,129,069**	21,251,070
Accretion and amortization	**205,194**	215,640	**-**	-	**205,194**	215,640
Less: retirements	**(45,319,732)**	(6,897,429)	**(9,659,262)**	(11,557,566)	**(54,978,994)**	(18,454,995)
Ending Balance	**$ 154,893,540**	$ 123,462,032	**$ 62,856,310**	$ 61,932,549	**$ 217,749,850**	$ 185,394,581

The City's total debt increased by $32,355,269, during the fiscal year ended December 31, 2016, as a result of issued debt in excess of repayments and retirements.

Additional information on the City's long-term debt can be found in Note 7 on pages 47-59 of this report.

Economic Factors and Next Year's Budgets and Rates

The economy of the City is closely tied to the economy of the Commonwealth of Pennsylvania. Property taxes will be reviewed and property tax revenue may change as reassessments are made. The costs of operating in the general and enterprise funds are expected to increase due to labor costs, health care costs, pensions, and other factors.

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 as coordinator to administer a recovery plan for the City pursuant to this Act.

During 2015, the City revised and updated its Act 47 Recovery Plan. The 2015 plan identifies and mandates that the City must implement to eliminate the City's operating budget deficits as projected by the Act 47 Coordinator.

The City's Act 47 Coordinator, in conjunction with the City, worked on a revision to the 2012 Recovery Plan. In October 2014, the State of Pennsylvania signed House Bill 1773 into law. The bill significantly overhauled the Municipalities Financial Recovery Act, Known as Act 47. The new law placed a five-year time limit for municipalities to exit Act 47. For municipalities already under Act 47 and operating under a recovery plan, the termination date for their distressed status will be five years from the effective date of their most recent recovery plan or amendment. The 2015 Revised Recovery Plan was adopted by City Council in March 2015.

The revised Recovery Plan and its provisions outlined below are designed to restore long-term fiscal stability, budgetary predictability, and the repair of the City's creditworthiness. The new Recovery Plan provides the fiscal framework for the City's governing bodies to follow through 2020.

Economic Factors and Next Year's Budgets and Rates *(continued)*

The following mandates are provisions of the 2015 Recovery Plan:

- The City of Scranton will petition the Lackawanna County Court of Common Pleas to increase the Local Services Tax from $52 per year to $156 per year. The increased revenue from the tax is included in the City of Scranton 2015 budget;
- The City of Scranton will apply for grant funding to undertake the feasibility and analysis of the creation of a Municipal Solid Waste Collection Authority and, separately, a Storm Water Management Authority;
- The City of Scranton will review the divestiture of other non-essential assets not directly related to the provision of services;
- The Recovery Coordinator will prepare an analysis on the impact of the implementation of a payroll preparation tax. The tax would replace the Business Privilege and Mercantile taxes;
- The City will continue its review of health care and related programs to reduce the rate of increase in employee health care costs;
- Representatives of the City of Scranton and Scranton Housing Authority will meet to determine levels of financial assistance in addition to the lieu of payments provided by the Authority;
- The City of Scranton will continue to use its real estate taxing authority to eliminate operating deficits projected to occur through 2020 if the implementation of the Plan's comprehensive mandates are not authorized;
- The City of Scranton will undertake an analysis of the status of properties presently exempt from taxation;
- With the reductions of staff over the past five years, the City will seek greater efficiencies in departmental tax execution by a review and evaluation of work assignments;
- The City of Scranton will review pension plan changes for employees not represented by a collective bargaining unit or applicable law;
- The City will continue to review for utilization the provisions of Act 205, the Municipal Pension Plan Funding Standard and Recovery Act;
- The City of Scranton will appoint a commission to review the ability to implement shared services programs;
- The City of Scranton will continue to pursue the implementation of the provisions of a Land Bank, as authorized by Act 153 of 2012.

Economic Factors and Next Year's Budgets and Rates *(continued)*

Other initiatives of the City of Scranton are designed to achieve greater cost savings and efficiencies, as well as revenue production. Those initiatives include:

- The City of Scranton is completing a restructuring of the fee schedule of the Department of Licenses and Permits;
- Further enhancements to the program include a mobile payment application. These enhancements, along with increases to meter rates and citations, will lead to increased parking revenue.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of Business Administration, City Hall, 4th Floor, and 340 N. Washington Avenue, Scranton, PA 18503.

CITY OF SCRANTON, PENNSYLVANIA

Statement of Net Position
As of December 31, 2016

	Governmental Activities	Business-Type Activities as of March 31, 2016	Total
ASSETS			
Cash and cash equivalents	$ 76,839,312	$ 8,604,927	$ 85,444,239
Investments	18,391,044	-	18,391,044
Receivables:			
Taxes and fees receivable, net	17,754,889	-	17,754,889
Accounts receivable, net	2,536,195	6,526,360	9,062,555
Loans receivable	1,998,720	-	1,998,720
Other receivables, net	730,396	-	730,396
Prepaid assets	26,364	-	26,364
Other assets	17,840,000	640,401	18,480,401
Property held for resale	98,935	-	98,935
Restricted assets:			
Cash and cash equivalents	631,658	23,865,287	24,496,945
Investments	-	3,853,045	3,853,045
Accrued interest receivable	-	640	640
Total Current Assets	136,847,513	43,490,660	180,338,173
Land	3,485,506	130,029	3,615,535
Buildings	12,103,899	148,255,982	160,359,881
Improvements	8,699,878	-	8,699,878
Infrastructure	132,206,565	-	132,206,565
Vehicles, furniture, and equipment	22,860,848	5,763,487	28,624,335
Construction in progress	2,406,437	13,582,943	15,989,380
Total capital assets	181,763,134	167,732,441	349,495,575
Less: accumulated depreciation	97,645,569	86,001,307	183,646,876
Capital assets, net	84,117,565	81,731,134	165,848,699
Total Assets	220,965,078	125,221,794	346,186,872
Deferred Outflow of Resources			
Deferred bond issuance costs	-	460,217	460,217
Deferred loss on extinguishment of debt	-	460,699	460,699
Deferred outflows related to pensions	6,037,815	-	6,037,815
Total Deferred Outflow of Resources	6,037,815	920,916	6,958,731

The accompanying notes are an integral part of this financial statement.

CITY OF SCRANTON, PENNSYLVANIA

Statement of Net Position (continued)
As of December 31, 2016

	Governmental Activities	Business-Type Activities as of March 31, 2016	Total
LIABILITIES			
Accounts payable	$ 4,955,680	$ 2,625,949	$ 7,581,629
Other liabilities	17,840,000	-	17,840,000
Accrued liabilities	729,802	1,609,769	2,339,571
Current liabilities payable from restricted assets:			
Revenue bonds/notes payable	-	870,000	870,000
Accrued bond interest payable	1,583,841	625,705	2,209,546
Current portion of long term debt:			
Long-term debt obligations	5,906,660	1,532,093	7,438,753
Capital lease	1,259,996	-	1,259,996
Total Current Liabilities	32,275,979	7,263,516	39,539,495
Non-Current liabilities			
Worker's compensation claims payable	21,559,564	-	21,559,564
Long-term debt obligations	137,879,106	60,454,217	198,333,323
Capital lease	9,847,778	-	9,847,778
Net other post employment benefits obligation	39,734,068	-	39,734,068
Net pension liability	161,894,406	-	161,894,406
Compensated absences	3,445,921	266,210	3,712,131
Unearned revenue	6,487,323	-	6,487,323
Total Liabilities	413,124,145	67,983,943	481,108,088
Deferred Inflows of Resources			
Deferred inflows related to pensions	564,870	-	564,870
Deferred bond premium	-	13,988	13,988
Total Deferred Inflows of Resources	564,870	13,988	578,858
NET POSITION			
Net investment in capital assets	63,712,989	20,651,752	84,364,741
Restricted:			
Debt service	631,658	25,317,840	25,949,498
Unrestricted (deficit)	(251,030,769)	12,175,187	(238,855,582)
Total Net Position	$ (186,686,122)	$ 58,144,779	$ (128,541,343)

The accompanying notes are an integral part of this financial statement.

CITY OF SCRANTON, PENNSYLVANIA

Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets – Primary Government: Governmental Activities	Business-Type Activities (March 31, 2016)	Total
Governmental Activities							
General government and administration	$ 25,339,870	$ 10,715,945	$ 11,782,722	$ -	$ (2,841,203)	$ -	$ (2,841,203)
Public safety	51,164,481	-	-	-	(51,164,481)	-	(51,164,481)
Public works	20,852,406	-	-	-	(20,852,406)	-	(20,852,406)
Community development	4,766,949	443,172	4,240,125	-	(83,652)	-	(83,652)
Culture and recreation	1,166,868	-	-	-	(1,166,868)	-	(1,166,868)
Interest and fees on long term debt	10,056,182	-	-	-	(10,056,182)	-	(10,056,182)
Total Governmental Activities	113,346,756	11,159,117	16,022,847	-	(86,164,792)	-	(86,164,792)
Business-type Activities							
Sewer Authority (for the year ended March 31, 2016)	19,813,170	22,394,174	-	97,753	-	2,678,757	2,678,757
Total Government	$ 133,159,926	$ 33,553,291	$ 16,022,847	$ 97,753	(86,164,792)	2,678,757	(83,486,035)

	Governmental Activities	Business-Type Activities (March 31, 2016)	Total
General Revenues			
Taxes			
Property taxes	36,441,398	-	36,441,398
Act 511 taxes	36,820,000	-	36,820,000
Cable television franchise revenue	1,016,420	-	1,016,420
Payments in lieu of taxes	60,791	-	60,791
Investment earnings	8,670	12,830	21,500
Miscellaneous	980,395	177,857	1,158,252
Rents and concessions	12,210	-	12,210
Total General Revenues and Transfers	75,339,884	190,687	75,530,571
Change in Net Position	(10,824,908)	2,869,444	(7,955,464)
Sale of Sewer Authority	66,519,968	-	66,519,968
Net position, beginning of year	(242,381,182)	55,275,335	(187,105,847)
Net Position, End of Year	$ (186,686,122)	$ 58,144,779	$ (128,541,343)

The accompanying notes are an integral part of this financial statement.

CITY OF SCRANTON, PENNSYLVANIA

Balance Sheet – Governmental Funds
As of December 31, 2016

	General	OECD	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 70,967,192	$ 1,411,255	$ 4,460,865	$ 76,839,312
Taxes and fees receivable, net	17,754,889	-	-	17,754,889
Accounts receivable, net	-	537,530	1,929,912	2,467,442
Loans receivable, net	-	1,930,299	68,421	1,998,720
Other receivables, net	730,396	-	-	730,396
Due from other funds	1,043,101	515,774	904,133	2,463,008
Prepaid assets	26,364	-	-	26,364
Restricted assets:				
Restricted cash and cash equivalents	-	-	631,658	631,658
Other assets	17,840,000	-	-	17,840,000
Property held for resale	-	-	98,935	98,935
Total Assets	$ 108,361,942	$ 4,394,858	$ 8,093,924	$ 120,850,724
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Accounts payable	$ 2,366,557	$ 453,759	$ 1,966,113	$ 4,786,429
Accrued liabilities	704,410	7,744	-	712,154
Due to other funds	2,811,836	70,746	1,488,129	4,370,711
Unearned revenue	-	3,594,436	2,892,887	6,487,323
Other liabilities	17,840,000	-	-	17,840,000
Total Liabilities	23,722,803	4,126,685	6,347,129	34,196,617
Deferred Inflows of Resources				
Unavailable revenue	9,096,641	-	68,421	9,165,062
Total Deferred Inflows of Resources	9,096,641	-	68,421	9,165,062
Fund Balance				
Nonspendable	26,364	-	98,935	125,299
Restricted for debt service	-	-	631,658	631,658
Restricted for externally imposed restrictions	-	268,173	1,473,544	1,741,717
Unassigned	75,516,134	-	(525,763)	74,990,371
Total Fund Balance	75,542,498	268,173	1,678,374	77,489,045
Total Liabilities, Deferred Inflows and Fund Balance	$ 108,361,942	$ 4,394,858	$ 8,093,924	$ 120,850,724

The accompanying notes are an integral part of this financial statement.

CITY OF SCRANTON, PENNSYLVANIA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
As of December 31, 2016

Total Governmental Fund Balances		$ 77,489,045
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund statements		84,117,565
Property taxes receivable will be collected but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the fund.		5,367,287
Refuse fee receivable will be collected but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the fund.		3,711,706
Internal service fund is used by management to charge the cost of the workmen's compensation insurance fund to various departments. The net revenue/(expense) of the internal service fund is reported with governmental activities.		(1,361,315)
Deferred loans are loans made by SRA to qualified projects that will be repaid in future years but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		68,421
Deferred outflow of resources, including loss on refunding, contributions subsequent to measurement date, and changes in assumptions are consumption of resources that is applicable to future reporting periods and therefore are not reported in the funds.		5,472,945
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of the following:		
General obligation bonds payable	(101,013,595)	
General obligation notes payable	(40,137,717)	
Governmental notes payable	(2,634,454)	
Accrued interest payable	(1,583,841)	
Capitalized lease payable	(11,107,774)	
Compensated absences	(3,445,921)	
Other post employment benefits	(39,734,068)	
Net pension liability	(161,894,406)	
Long-term liabilities		(361,551,776)
Net Position of Governmental Activities		$ (186,686,122)

The accompanying notes are an integral part of this financial statement.

Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds
For the Year Ended December 31, 2016

	General	OECD	Non-Major Funds	Total Governmental Funds
REVENUES				
Taxes	$ 70,548,681	$ -	$ -	$ 70,548,681
Intergovernmental	3,768,628	4,240,125	8,014,094	16,022,847
Departmental earnings	1,410,012	-	401,515	1,811,527
Refuse disposal fee	7,440,667	-	-	7,440,667
Licenses and permits	1,332,642	-	-	1,332,642
Cable television franchise revenue	1,016,420	-	-	1,016,420
Payments in lieu of taxes	60,791	-	-	60,791
Investment income	-	1,192	7,478	8,670
Other revenues	904,101	-	76,294	980,395
Rents and concessions	6,500	-	5,710	12,210
Program income	-	443,172	-	443,172
Total Revenues	86,488,442	4,684,489	8,505,091	99,678,022
EXPENDITURES				
Current:				
General government	13,045,312	-	994,348	14,039,660
Public safety	48,284,517	-	2,292,378	50,576,895
Public works	10,889,714	-	5,470,041	16,359,755
Community development	-	4,585,787	181,162	4,766,949
Culture and recreation	649,603	-	-	649,603
Debt Service:				
Debt service principal	7,224,662	-	4,090,000	11,314,662
Debt service interest	1,911,219	-	4,860,734	6,771,953
Debt service fees	3,284,229	-	-	3,284,229
Capital outlay	-	-	-	-
Total Expenditures	85,289,256	4,585,787	17,888,663	107,763,706
Excess (Deficiency) of Revenues Over Expenditures	1,199,186	98,702	(9,383,572)	(8,085,684)
OTHER FINANCING SOURCES (USES):				
Proceeds from:				
Operating transfers in	1,016,976	-	8,823,003	9,839,979
Operating transfers out	(8,823,003)	-	(1,016,976)	(9,839,979)
Issuance of bonds	74,018,961	-	-	74,018,961
Proceeds from tax anticipation note	12,750,000	-	-	12,750,000
Court award payment	(31,310,879)	-	-	(31,310,879)
Parking Authority debt repayments	(31,864,978)			(31,864,978)
Payments on tax anticipation note	(13,014,162)	-	-	(13,014,162)
Total Other Financing Sources (Uses)	2,772,915	-	7,806,027	10,578,942
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	3,972,101	98,702	(1,577,545)	2,493,258
Sale of Sewer Authority	66,519,986	-	-	66,519,986
Fund Balances, beginning of year	5,050,411	169,471	3,255,919	8,475,801
Fund Balances, End of Year	$ 75,542,498	$ 268,173	$ 1,678,374	$ 77,489,045

The accompanying notes are an integral part of this financial statement.

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

Net Changes in Fund Balances - Total Governmental Funds		$ 69,013,244
Amounts reported for governmental activities in the statement of activities are different because of:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlays exceeds depreciation:		
Capital outlays	4,945,303	
Depreciation	(5,700,012)	
		(754,709)
Because some property taxes will not be collected for several months after the City's year end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenue decreased by this amount this year.		2,906,562
Because some refuse fees and deferred loans will not be collected for several months after the City's year end, they are not considered as "available" revenues in the governmental funds. Unavailable refuse fee revenue increased by this amount this year.		131,109
Internal service fund is used by management to charge the cost of the workmen's compensation insurance fund to various departments. The net revenue of the internal service fund is reported with governmental activities.		(4,093,235)
In the statement of activities compensated absences are measured by the amounts earned during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amounts earned versus the amount used.		(21,210)
In the statement of activities post retirement benefits are measured by the amounts earned during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amounts earned versus the amount used.		(6,186,672)
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also governmental funds reports the effect of insurance cost and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(76,751,240)

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities (continued)
For the Year Ended December 31, 2016

Repayment of bond principal is 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:		
Long term refuse trade debt	264,957	
Repayment of general bond principal	4,450,000	
Repayment of governmental note payable	838,366	
Repayment of capitalized lease principal	6,916,409	
Repayment of parking authority revenue bond	32,850,000	
		45,319,732
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(1,470,688)	
		(1,470,688)
Long-term court awards represents accrual for back pay awards for the period January 1, 2016 to December 31, 2016 and settlement of other employee matters. This amount differs from the amount reported in the Governmental Funds because it has not been liquidated with the expendable available resources as of the date of the financial statements.		27,602,167
Change in Net Position of Governmental Activities		$ 55,695,060

The accompanying notes are an integral part of this financial statement.

CITY OF SCRANTON, PENNSYLVANIA

Statement of Net Position – Proprietary Funds
As of December 31, 2016

	Business-Type Activities - Enterprise Funds — Major Fund — As of March 31, 2016 Sewer Authority	Governmental Activities - Internal Service Funds
ASSETS		
Cash and cash equivalents	$ 8,604,927	$ -
Investments	-	18,391,044
Accounts receivable, net	6,526,360	68,753
Due from other funds	-	1,907,703
Other current assets	640,401	-
Restricted assets:		
Cash and cash equivalents	23,865,287	-
Investments	3,853,045	-
Accrued interest receivable	640	-
Total restricted assets	27,718,972	-
Capital assets		
Property, plant and equipment, net	81,731,134	-
Total Assets	125,221,794	20,367,500
DEFERRED OUTFLOWS OF RESOURCES		
Deferred bond issuance costs	460,217	-
Deferred loss on extinguishment of debt	460,699	-
Total Deferred Outflows of Resources	920,916	-
LIABILITIES		
Current liabilities (payable from current assets):		
Current portion of long term debt	1,532,093	-
Accounts payable	2,625,949	169,251
Accrued interest payable	30,461	-
Accrued payroll and payroll taxes	181,455	-
Current portion of compensated absences	492,426	-
Total current liabilities (payable from current assets)	4,862,384	169,251
Current liabilities (payable from restricted assets):		
Revenue bonds payable	870,000	-
Accrued revenue bonds interest payable	625,705	-
Accrued expenses	905,427	-
Total current liabilities (payable from restricted assets):	2,401,132	-
Noncurrent liabilities:		
Workers' compensation claims payable	-	21,559,564
Long term debt, net of current portion	60,454,217	-
Compensated absences, net of current portion	266,210	-
Total noncurrent liabilities	60,720,427	21,559,564
Total Liabilities	67,983,943	21,728,815
DEFERRED INFLOWS OF RESOURCES		
Deferred bond premium	13,988	-
NET POSITION		
Investment in capital assets, net of related debt	20,651,752	-
Restricted for debt service, capital expenditure, and long term liabilities	25,317,840	-
Unrestricted	12,175,187	(1,361,315)
Total Net Position	$ 58,144,779	$ (1,361,315)

The accompanying notes are an integral part of this financial statement.

CITY OF SCRANTON, PENNSYLVANIA

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds Major Fund For the Year Ended March 31, 2016 Sewer Authority	Governmental Activities - Internal Service Funds
REVENUES		
Charges for services	$ 22,394,174	$ 1,614,425
Total Revenues	22,394,174	1,614,425
EXPENSES		
Workers' compensation claims	-	6,107,013
Sewer plant and sewer system	9,350,717	-
Administrative and general	3,257,598	-
Depreciation	3,318,891	-
Other	-	70,512
Total Expenses	15,927,206	6,177,525
Income from Operations	6,466,968	(4,563,100)
Non Operating Revenues (Expenses):		
Investment income	12,830	469,865
Interest expense	(2,280,893)	-
Amortization of bond insurance cost	(99,303)	-
Bond issuance costs	(203,271)	-
Professional fees - sale of transaction costs	(1,302,497)	-
Gain on sale of assets	48,300	-
Capital grant	97,753	-
Amortization of bond premium	711	-
Other revenue	128,846	-
Total Non Operating Revenues (Expenses)	(3,597,524)	469,865
Change in Net Position	2,869,444	(4,093,235)
Net Position, beginning of year	55,275,335	2,731,920
Net Position, End of Year	$ 58,144,779	$ (1,361,315)

The accompanying notes are an integral part of this financial statement.

CITY OF SCRANTON, PENNSYLVANIA

Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds	
	Major Fund	Governmental Activities -
	Sewer Authority	Internal Service Funds
Cash Flows from Operating Activities		
Cash received from customers/interfund services provided	$ 22,786,226	$ 1,624,845
Cash payments for goods and services	(4,622,664)	(3,160,888)
Cash payments to employees for services	(7,178,278)	-
Net Cash from Operating Activities	10,985,284	(1,536,043)
Cash Flows from Noncapital and Related Financing □ Activity Inflows		
Other revenue received	128,846	-
Professional fees - sale transaction costs	(29,438)	-
Net Cash Flows from Noncapital and Related Financing Activity Inflows	99,408	-
Cash Flows from Capital and Related Financing Activity Inflows		
Payment of debt	(2,344,262)	-
Payment of interest	(2,215,085)	-
Proceeds from loans payable	2,740,252	-
Revenue bond payable, net of discount issued from refunding debt	7,827,890	-
Payment of bond issuance costs	(203,271)	-
Payment of bond insurance costs	(32,709)	-
Payment to escrow for refunding debt - principal	(7,315,000)	-
Payment to escrow for refunding debt - interest	(337,851)	-
Proceeds from sale of capital assets	48,300	
Capital grant	97,753	-
Purchase and construction of capital assets	(10,731,919)	-
Net Cash from Capital and Related Financing Activity Inflows	(12,465,902)	-
Cash Flows from Investment Activities		
Proceeds from maturity of investments	22,302,460	-
Purchase of investments	(149,230)	-
Sale of investments	-	1,066,178
Receipt of interest	12,783	469,865
Net Cash from Investment Activities	22,166,013	1,536,043
Net change in cash and cash equivalents	20,784,803	-
Cash and cash equivalents, beginning of year	11,685,411	-
Cash and Cash Equivalents, End of Year	$ 32,470,214	$ -
Reconciliation of Operating Income to Net Cash from Operating Activities:		
Operating income	$ 6,466,968	$ (4,563,100)
Depreciation	3,318,891	-
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable	(106,116)	10,600
Due from other funds	-	(180)
Other assets	309,892	-
Accounts receivable - assessments	382,963	-
Accounts payable	637,816	(133,826)
Accrued payroll and payroll taxes	(30,177)	-
Compensated absences	5,047	-
Estimated payables for future claims	-	3,150,463
Net Cash from Operating Activities	$ 10,985,284	$ (1,536,043)
Non-Cash Capital and Related Financing Activities		
Non-cash financing - bond premium amortization	$ 711	$ -
Non-cash financing - bond insurance cost amortization	(99,303)	-
Non-cash financing - bond original issue discount accretion	14,881	-
Non-cash financing - loss on debt extinguishment amortization	26,445	-

The accompanying notes are an integral part of this financial statement.

CITY OF SCRANTON, PENNSYLVANIA

Statement of Net Position - Fiduciary Fund
As of December 31, 2016

	Pension Trust
ASSETS	
Cash and investments	$ 59,437,522
Receivables:	
Members' contributions	40,401
Total Assets	59,477,923
TOTAL LIABILITIES AND NET POSITION	
Accrued administrative expenses	155,853
Net Position	
Held in trust for pension benefits	$ 59,322,070

The accompanying notes are an integral part of this financial statement.

Statement of Change in Net Position - Fiduciary Fund
For the Year Ended December 31, 2016

	Pension Trust
Additions	
Contributions	
Employee	$ 3,140,252
Employer/Commonwealth	14,407,358
Total Contributions	17,547,610
Investment Income:	
Investment return	3,043,897
Interest income	7,647
Total Investment Income	3,051,544
Less: Investment Expenses	(231,569)
Net Investment Earnings	2,819,975
Total Additions	20,367,585
Deductions	
Benefit payments	12,815,309
Administrative expenses	189,350
Total Deductions	13,004,659
Change in net position	7,362,926
Net position, beginning of year	51,959,144
Net Position, End of Year	$ 59,322,070

The accompanying notes are an integral part of this financial statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections 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 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

The City has concluded that the following organizations should be presented in the City's financial statements:

- Redevelopment Authority of the City of Scranton
- Sewer Authority of the City of Scranton, Pennsylvania
- Parking Authority of City of Scranton, Pennsylvania

The City has not included the other organizations, as they City is not financially accountable for these organizations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Reporting Entity (continued)

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

Discrete presentation – Financial data for the component unit is presented in a column separate from that of the City's financial data. There is no such presentation included in the City's government-wide and fund financial statements.

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

2) 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.

3) 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 blended component units for the year ended December 31, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Reporting Entity (continued)

Sewer Authority of the City of Scranton, Pennsylvania: The Sewer Authority of the City of Scranton, Pennsylvania (the Sewer Authority) owns the sewer system that provides waste water treatment services to the City and nearby communities. The City appoints all the Sewer Authority members and guarantees its loans with Pennsylvania Infrastructure Investment Authority (Pennvest). 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 Sewer Authority was sold during the City's fiscal year ended December 31, 2016.

The Parking Authority of the City of Scranton, Pennsylvania: The Parking Authority of the City of Scranton, Pennsylvania (the Parking Authority) operates parking facilities within the City. The City appoints all Parking Authority members and the City guaranteed its bonded debt. An audit of the Parking Authority of the City was not completed for December 31, 2016 and no financial statements have been prepared or included in the City's report for the year ended December 31, 2016 as part of its reporting entity. The Parking Authority should be a discretely presented component unit.

Redevelopment Authority of the City of Scranton: The Redevelopment Authority of the City of Scranton (the Redevelopment Authority) operates for the purpose of promoting the elimination of blighted areas by declaring acquisition, sound replanning and redevelopment of such areas to be for the promotion of health, safety, convenience, and welfare for the general public good, through contract with private redevelopers and public authorities for redevelopment. The City appoints all Redevelopment Authority members and assigned repayment on seven loans receivable related to Urban Development Action Grants, Enterprise Development Zone Grants, and Commercial Industrial Loans toward repayment of the Redevelopment Authority's debt and is financially dependent upon the City. The Redevelopment Authority 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements – Government-wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, public works, parks, recreation and culture and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. For the most part, the effect of interfund activity has been removed from these statements. The City's net position is reported in two parts - investment in capital assets, net of related debt, and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenue (property and income taxes and certain intergovernmental revenue). For the most part, the effect of interfund activity has been removed from these statements. The statement of activities reduces gross expenses (including depreciation) by related program revenue, operating and capital grants, and contributions. The program revenue must be directly associated with the function or business-type activity. Program revenue include revenue from fines, licenses and permit fees, and charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grant column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenues (property and income taxes, intergovernmental revenue, interest income, etc.).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The model as defined in GASB Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenue or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City reports the following major funds:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City has four governmental funds:

a) 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.

b) 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 Redevelopment Authority of the City of Scranton.

   The OECD is classified as a major fund. The remaining Special Revenue Funds are classified as non-major funds.

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

d) Capital Project Fund is used to account for the acquisition or construction of capital facilities being financed from general obligation bond proceeds, or transfers from other funds and is classified as a non-major fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements (continued)

Proprietary Funds

The focus of proprietary funds measurement is upon 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 principal operating revenue for the City's proprietary funds are charges for water and sewer services. Operating expenses for the City's proprietary funds include salaries, utility costs for the sewer plant, supplies, administrative costs, maintenance and depreciation on capital assets. All revenue or expenses not meeting this definition are reported as non-operating revenue and expenses.

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

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

b) 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 Sewer Authority is the only enterprise fund of the City.

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 Fund, Firemen Pension Fund, and Nonuniformed Pension Fund. These funds are accounted for within a single aggregate fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity. Reimbursements are reported as reductions to expenses.

Accrual: Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting, although the internal activity is not eliminated from the proprietary and fiduciary fund statements. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Pension trust funds recognize employer and participant contributions in the period in which the contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Modified Accrual: The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Major revenue sources susceptible to accrual include: Act 511 taxes, property taxes, refuse disposal fee, intergovernmental revenues, and investment income. In general, other revenues are recognized when received.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than program revenue. Likewise, general revenue includes all taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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 a proprietary fund's principal ongoing operations. The principal operating revenue of the utility fund is charges to customers for services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The City reports unearned revenue on its government-wide and fund financial balance sheet. Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

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

The City categorizes its fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; Level 2 inputs are valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and Level 3 inputs are valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker traded transactions.

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, 2016, upon which the 2016 levy was based, was approximately $395 million. Delinquent taxes for the first year are collected by the Single Tax Office and thereafter are collected by an outside collection agency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The schedule for real estate taxes levied is as follows:

February 1	Original levy date
February 1 – March 1	2 ½% 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.

Real Estate Taxes (continued)

The millage rate at January 1, 2016 was 232.521 mills on the assessed value of land and 50.564 mills on the assessed value of improvements.

Loans Receivable

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

The accounting for property, plant and equipment (fixed assets) depend 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 fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

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

	Redevelopment Authority	**Governmental Funds**
	Useful Life	**Useful Life**
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
Extraordinary repairs	N/A	N/A
Roadways	N/A	30-50 years
Traffic Systems	N/A	15 years

In the government-wide financial statements, fixed assets are accounted for as capital assets. The City has elected to report general infrastructure assets retroactively.

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

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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The City's vacation policy generally provides that unused vacation benefits lapse at year-end. Unused vacation may be carried over only with the approval of the department head. Unused sick pay accumulates to varying maximum amounts for the various classes of City employees. As of December 31, 2016, aggregate liability for unused vacation and sick pay was $3,445,921.

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 liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable and accrued compensated absences.

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

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

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

Net Position and Fund Balances

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Investment in Capital Assets, Net of Related Debt: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Balances (continued)

Restricted Net Position: This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: This category represents the net position of the City, which are not restricted for any project or other purpose. However, these funds may be designated for specific projects or purposes in the financial statements.

Fund Equity

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of New Accounting Principles

The City has adopted the provisions of Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*, Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and Statement No.77, *Tax Abatement Disclosures*, Statement No. 79, *Certain External Investment Pools and Pool Participants.* The adoption of this standard does not have a material effect on these statements.

As of the year ended December 31, 2016, GASB issued Statement No. 73, *Accounting and Financial*
Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and
Amendments to Certain Provisions of GASB Statements 67 and 68, Statement No. 74, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans,* Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, Statement No. 81, *Irrevocable Split-Interest Agreements*, Statement No. 82, *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No. 73*, Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 85, *Omnibus 2017*, and Statement No. 86, *Certain Debt Extinguishment Issues*. The City is analyzing the effects of these pronouncements and plans to adopt them as applicable by its effective date.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Policies and Practices

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 year-end, the carrying amount of combined deposits was $77,470,970, and the collected bank balance was $77,862,392. The uninsured balances were fully collateralized by securities placed with the respective bank escrow agents held in the City's name. As of December 31, 2016, the City's deposits were not exposed to custodial credit risk.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments

As of December 31, 2016, the City had the following investments:

Types of Investments	Fair Value / Carrying Amount	Cost
GOVERNMENTAL FUNDS		
Primary Government:		
Internal Service Fund		
Cash and Cash Equivalents	$ 5,139,730	$ 5,136,831
Corporate Obligations:		
Corporate-Domestic Bonds	3,442,346	5,149,586
Governmental Securities:		
U.S. Government Agencies	5,538,080	5,505,651
Mutual Funds:		
U.S. Agency Equity Funds	4,270,888	4,342,379
Total Internal Service Fund	$ 18,391,044	$ 20,134,447

	Fair Value / Carrying Amount	Cost
FIDUCIARY FUNDS		
Pension Trust Fund		
Mutual Funds:		
Cash and Cash Equivalents	$ 4,790,680	$ 4,790,680
Equity Mutual Funds	28,767,228	24,776,203
Bond Mutual Funds	25,879,614	24,035,463
Total Pension Trust Fund	$ 59,437,522	$ 53,602,347

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments (continued)

The City has the following recurring fair value investments as of December 31, 2016:

		Fair Value Measurement Using		
Investment Type	Fair Value	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Primary Government:				
Corporate Obligations:				
Corporate-Domestic Bonds	$ 3,442,346	$ 3,442,346	$ -	$ -
Governmental Securities:				
U.S. Government Agencies	5,538,080	5,538,080	-	-
Mutual Funds:				
U.S. Agency Equity Funds	4,270,888	4,270,888	-	-
Subtotal Government Funds	$ 13,251,314	$ 13,251,314	$ -	$ -
Pension Trust Fund				
Mutual Funds:				
Equity Mutual Funds	$ 28,767,228	$ 28,767,228	-	-
Bond Mutual Funds	25,879,614	25,879,614	-	-
Subtotal Pension Trust Fund	$ 54,646,841	$ 54,646,841	$ -	$ -

The City did not have a formal investment policy. Investments are monitored through an investment advisor. On September 21, 2010, the City entered into an agreement with Penn Security Bank & Trust for $10,000,000 and Fidelity Deposit & Discount Bank for the remaining assets of the Workmen's Compensation Fund (Internal Service Fund).

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

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. To the extent practical, investments are matched with anticipated cash flows.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investments in a single issuer.

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

3. TAXES AND FEES RECEIVABLE

Taxes and fees receivable in the general fund consist of the following at December 31, 2016:

Real estate taxes	$ 10,815,947
Act 511 taxes:	
Earned income	7,103,935
Delinquent refuse disposal fee	7,809,510
Total	25,729,392
Less: Allowance for uncollectible taxes and fees	(7,482,946)
Total Taxes and Fees Receivable, Net	$ 18,246,446

4. DUE FROM AND DUE TO OTHER FUNDS

	Due From Other Funds	Due to Other Funds
General Fund		
Liquid Fuels	$ -	$ -
OECD	70,746	-
Special Cities	972,355	904,133
Internal Service Fund	-	1,907,703
Special Cities		
General Fund	904,133	972,355
OECD		
Redevelopment Authority	515,774	-
General Fund	-	70,746
Redevelopment Authority		
OECD	-	515,774
Liquid Fuels		
General Fund	-	-
Internal Service Fund		
General Fund	1,907,703	-
Total	$ 4,370,711	$ 4,370,711

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance December 31, 2015	Additions	Disposals	Balance December 31, 2016
Governmental Activities:				
Land	$ 3,485,506	$ -	$ -	**$ 3,485,506**
Construction in progress	690,531	1,715,906	-	**2,406,437**
Building	12,098,549	5,350	-	**12,103,899**
Land and building improvements	8,699,878	-	-	**8,699,878**
Infrastructure	132,206,565	-	-	**132,206,565**
Vehicles, furniture, and equipment	19,636,802	3,224,046	-	**22,860,848**
Total	176,817,831	4,945,303	-	**181,763,134**
Less: Accumulated depreciation				
Building	(4,920,115)	(345,826)	-	**(5,265,941)**
Land and building improvements	(5,706,246)	(248,568)	-	**(5,954,814)**
Infrastructure	(66,993,975)	(3,305,164)	-	**(70,299,139)**
Vehicles, furniture, and equipment	(14,325,221)	(1,800,454)	-	**(16,125,675)**
Total	(91,945,557)	(5,700,012)	-	**(97,645,569)**
Governmental Activities Capital Assets, Net	$ 84,872,274	$ (754,709)	$ -	**$ 84,117,565**

	Balance March 31, 2015			Balance March 31, 2016
Business-Type Activities:				
Land	$ 130,029	$ -	$ -	**$ 130,029**
Construction in progress	30,168,694	8,271,337	(24,857,088)	**13,582,943**
Building and building improvements	122,165,115	26,090,867	-	**148,255,982**
Equipment	4,902,403	884,090	(23,006)	**5,763,487**
Total	157,366,241	35,246,294	(24,880,094)	**167,732,441**
Less: Accumulated depreciation				
Building and building improvements	(79,965,801)	(2,664,397)	-	**(82,630,198)**
Equipment	(2,739,621)	(654,494)	23,006	**(3,371,109)**
Total	(82,705,422)	(3,318,891)	23,006	**(86,001,307)**
Business-Type Activities Capital Assets, Net	$ 74,660,819	$ 31,927,403	$ (23,006)	**$ 81,731,134**

Depreciation expense was charged to governmental functions as follows:

General	**$ 102,510**
Public Safety	**587,586**
Public Works	**4,492,651**
Parks and Recreation	**517,265**
Total Depreciation Expense	**$ 5,700,012**

6. SHORT-TERM DEBT

During the year ended December 31, 2016, the City issued a tax anticipation note for $12,750,000. The note was repaid, with interest, during the year for $13,014,162.

7. LONG-TERM DEBT

Type of Debt	Balance Outstanding December 31, 2015	Additions	Reductions	Balance Outstanding December 31, 2016	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds:					
Emmaus General Authority Series 2002	$ 4,695,000	$ -	$ 290,000	$ 4,405,000	$ 380,000
Series B of 2003	26,415,000	-	1,220,000	25,195,000	1,050,000
Series C of 2003	13,745,000	-	475,000	13,270,000	495,000
Series D of 2003	6,845,000	-	710,000	6,135,000	750,000
Series A of 2012	6,915,000	-	840,000	6,075,000	910,000
Series C of 2012	7,520,000	-	865,000	6,655,000	925,000
Series A and AA of 2016	-	39,328,595	50,000	39,278,595	505,000
(Amortization) / Accretion	(205,194)	-	205,194	-	-
Total General Obligation Bonds	65,929,806	39,328,595	4,655,194	101,013,595	5,015,000
Guaranteed Revenue Bonds					
Scranton Parking Authority 2004,2006, and 2007	32,850,000		32,850,000	-	-
Total Guaranteed Revenue Bonds	32,850,000	-	32,850,000	-	-
General Obligation Notes:					
Series B of 2012	925,000	-	125,000	800,000	135,000
Series A of 2013	4,179,025	-	405,000	3,774,025	435,000
Series of 2016	-	35,563,692	-	35,563,692	10,000
Total General Obligation Notes	5,104,025	35,563,692	530,000	40,137,717	580,000
Lease Obligations Payable					
2006 Capitalized Lease Equip Energy System	845,424	-	144,996	700,428	144,996
2004 Capitalized Lease Buildings	600,000	-	600,000	-	-
2006 Capitalized Lease Buildings	9,055,000	-	235,000	8,820,000	1,115,000
2008 Capitalized Lease Buildings	5,870,000	-	5,870,000	-	-
2016 Capitalized lease equipment	-	1,653,759	66,413	1,587,346	234,638
Total Lease Obligations Payable	16,370,424	1,653,759	6,916,409	11,107,774	1,259,996
Notes Payable:					
DCED Act 47 Loan	700,000	-	100,000	600,000	100,000
PIB loan	2,242,820	-	208,366	2,034,454	211,660
Total Notes Payable	2,942,820	-	308,366	2,634,454	311,660
Long Term Trade Debt					
Non Interest Bearing Refuse Trade Debt	264,957	-	264,957	-	-
Total Long Term Trade Debt	264,957	-	264,957	-	-
Other Long Term Liabilities					
Worker's Compensation claims	18,409,101	3,150,463	-	21,559,564	-
Compensated absences	3,424,711	21,210	-	3,445,921	-
Other post employment benefits	33,547,396	6,186,672	-	39,734,068	-
Long term court awards	27,602,167	3,708,712	31,310,879	-	-
Net pension liability	162,738,448	-	844,042	161,894,406	-
Total Other Long Term Liabilities	245,721,823	13,067,057	32,154,921	226,633,959	-
TOTAL GOVERNMENTAL ACTIVITIES	$ 369,183,855	$ 89,613,103	$ 77,679,847	$ 381,527,499	$ 7,166,656
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds:					
2007 Series	$ 7,315,000	$ -	$ 7,315,000	$ -	$ -
2011 Series A	18,670,000	-	375,000	18,295,000	385,000
2011 Series B	6,600,000	-	470,000	6,130,000	485,000
2014 Series	9,793,596	6,950	-	9,800,546	-
2015 Series	-	7,835,821	-	7,835,821	-
Total Revenue Bonds	$ 42,378,596	$ 7,842,771	$ 8,160,000	$ 42,061,367	$ 870,000
Notes Payable:					
2000 Series Pennvest	$ 2,224,176	$ -	$ 255,322	$ 1,968,854	$ 263,205
2002 Series Pennvest	2,404,057	-	228,862	2,175,195	235,292
2003 Series Pennvest	1,326,809	-	119,023	1,207,786	122,367
2004 Series Pennvest	2,320,846	-	159,991	2,160,855	164,942
2007 Series Pennvest	3,022,008	-	194,941	2,827,067	199,727
2012 Series Pennvest	8,256,057		541,123	7,714,934	546,560
2015 Series Pennvest	-	2,740,252	-	2,740,252	-
Total Notes Payable	$ 19,553,953	$ 2,740,252	$ 1,499,262	$ 20,794,943	$ 1,532,093
TOTAL BUSINESS-TYPE ACTIVITIES	$ 61,932,549	$ 10,583,023	$ 9,659,262	$ 62,856,310	$ 2,402,093
TOTAL LONG TERM DEBT	$ 431,116,404	$ 100,196,126	$ 87,339,109	$ 444,383,809	$ 9,568,749

7. LONG-TERM DEBT (continued)

A summary of long-term debt outstanding at December 31, 2016 is as follows:

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 based on the interest rates determined by the remarketing agent for the current month plus interest at the rate estimated by the administrator for the remaining portion of the month which has been determined by the Remarketing Agent, plus 55 basis points. Interest at December 31, 2016, was 2.45%.

General Obligation Bonds, Series B of 2003: On August 1, 2003, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 52, of 1978 issued $35,650,000, of 1.30% to 4.50% General Obligation Bonds, Series B of 2003 to provide funds to advance refund the City's General Obligation Bonds, Series of 1997 A, to advance refund the City's General Obligation Bonds, Series of 2001C, to fund various projects within the City, capitalize a portion of the interest on the bonds and pay the costs and expenses related to issuing and insuring the bonds. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2031. The bonds maturing on or after September 1, 2014, are subject to redemption prior to their stated dates of maturity at the option of the City on or after September 1, 2013, at a redemption price of 100%.

General Obligation Bonds, Series C of 2003: On August 1, 2003, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 52, of 1978 issued $18,145,000, of 1.40% to 5.60% Federally Taxable General Obligation Bonds Pension Funding, Series C of 2003 to pay off pension management termination fee, fund the actuarial accrued liability, capitalize a portion of the interest on the bonds and pay the costs and expenses related to issuing and insuring the bonds. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2033. The bonds maturing on or after September 1, 2014, are subject to redemption prior to their stated dates of maturity at the option of the City on or after September 1, 2013, at a redemption price of 100%.

General Obligation Bonds, Series D of 2003: On August 1, 2003, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 52, of 1978 issued $13,480,000, of 1.40% to 5.50% Federally Taxable General Obligation

Bonds, Series D of 2003 to fund the actuarial accrued workmen's compensation liability capitalize a portion of the interest on the bonds and pay the costs and expenses related to issuing and insuring the bonds. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2023. The bonds maturing on or after September 1, 2014, are subject to redemption prior to their stated dates of maturity at the option of the City on or after September 1, 2013, at a redemption price of 100%.

7. LONG-TERM DEBT (continued)

General Obligation Bonds, Series A of 2012: On October 23, 2012, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a), issued $9,850,000, of 8.50% General Obligation Bonds, Series A of 2012 to fund a portion of the City's working capital deficit and pay the costs and expenses related to issuing the bonds. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2022.

Mandatory Redemption: The bonds are not subject to redemption at the option of the City prior to maturity. The bonds are subject to mandatory redemption from required sinking fund amortization and extraordinary mandatory redemption. The bonds are subject to mandatory redemption 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 September 1, of each year following years in the indicated principal amounts as drawn by lot by the Paying Agent.

Extraordinary Redemption: The bonds maturing on and after September 1, 2013, are subject to extraordinary mandatory redemption prior to maturity, as whole or in part at any time, on or after March 30, 2013, at the discretion of the City, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for such mandatory redemption to the extent that there are "available amounts" generated in the preceding fiscal year of the City. "Available amounts" shall be equal to the available amounts as determined under section 1.148-6(d)(3)(iii) of the Internal Revenue Code of 1986, as amended. The bonds are general obligations of the City, secured by a pledge of its full faith, credit, and taxing powers.

General Obligation Notes, Series B of 2012: On October 23, 2012, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a) issued $1,470,000, of 8.5% General Obligation Notes, Series B of 2012 to refund a portion of the City's General Obligation Notes, Series A of 2003 (the Refunded 2003A Notes); refund a portion of the City's General Obligation Notes, Series B of 2003 (the Refunded 2003B Notes); refund a portion of the City's Federally Taxable General Obligation Pension Funding Notes, Series C of 2003 (the Refunded 2003C Notes); refund a portion of the City's Federally Taxable General Obligation Notes, Series D of 2003 (the Refunded 2003D Notes, and together with the Refunded 2003A Notes, Refunded 2003B Notes, and the Refunded 2003C Notes, collectively, the Refunded Notes); the payment of the costs and expenses related to issuing the 2012 Notes. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2022.

7. LONG-TERM DEBT (continued)

Mandatory Redemption: The bonds are not subject to redemption at the option of the City prior to maturity. The bonds are subject to mandatory redemption from required sinking fund amortization and extraordinary mandatory redemption. The bonds are subject to mandatory redemption 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 September 1, of each year following years in the indicated principal amounts as drawn by lot by the Paying Agent.

Extraordinary Redemption: The bonds maturing on and after September 1, 2013, are subject to extraordinary mandatory redemption prior to maturity, as whole or in part at any time, on or after March 30, 2013, at the discretion of the City, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for such mandatory redemption to the extent that there are "available amounts" generated in the preceding fiscal year of the City. "Available amounts" shall be equal to the available amounts as determined under section 1.148-6(d)(3)(iii) of the Internal Revenue Code of 1986, as amended. The bonds are general obligations of the City, secured by a pledge of its full faith, credit, and taxing powers.

General Obligation Bonds, Series C of 2012: On December 12, 2012, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a), issued $9,750,000, of 7.50% General Obligation Bonds, Series C of 2012 to fund a portion of the City's working capital deficit and pay the costs and expenses related to issuing the bonds. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2022.

Mandatory Redemption: The Notes are not subject to redemption at the option of the City prior to maturity. The Notes are subject to mandatory redemption from required sinking fund amortization and extraordinary mandatory redemption. The Notes are subject to mandatory redemption 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 September 1, of each year following years in the indicated principal amounts as drawn by lot by the Paying Agent.

Extraordinary Redemption: The Notes maturing on and after September 1, 2013, are subject to extraordinary mandatory redemption prior to maturity, as whole or in part at any time, on or after March 30, 2013, at the discretion of the City, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for such mandatory redemption to the extent that there are "available amounts" generated in the preceding fiscal year of the City. "Available amounts" shall be equal to the available amounts as determined under section 1.148-6(d)(3)(iii) of the Internal Revenue Code of 1986, as amended. The Notes are general obligations of the City, secured by a pledge of its full faith, credit, and taxing powers.

7. LONG-TERM DEBT (continued)

General Obligation Notes, Series A of 2013: On January 9, 2013, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a) issued $4,910,000, of 7.25% General Obligation Notes, Series A of 2013 to refund a portion of the City's working capital deficit, refund the refunded 2003 A, B, C, and D Notes noted above and pay the costs and expenses related to issuing the Notes. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2023.
Mandatory Redemption: The Notes are not subject to redemption at the option of the City prior to maturity. The Notes are subject to mandatory redemption from required sinking fund amortization and extraordinary mandatory redemption. The Notes are subject to mandatory redemption 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 September 1, of each year following years in the indicated principal amounts as drawn by lot by the Paying Agent.

Extraordinary Redemption: The Notes maturing on and after September 1, 2014, are subject to extraordinary mandatory redemption prior to maturity, as whole or in part at any time, on or after March 30, 2014, at the discretion of the City, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for such mandatory redemption to the extent that there are "available amounts" generated in the preceding fiscal year of the City. "Available amounts" shall be equal to the available amounts as determined under section 1.148-6(d)(3)(iii) of the Internal Revenue Code of 1986, as amended. The Notes are general obligations of the City, secured by a pledge of its full faith, credit, and taxing powers.

General Obligation 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 are to be applied for and 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, 2026.

Mandatory Redemption: 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. The Notes are subject to mandatory redemption 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.

7. LONG-TERM DEBT (continued)

General Obligation Bonds, Series A and AA of 2016: In June 2016, the City issued Guaranteed Lease Revenue Bonds, Series A of 2016 in the amount of $29,810,000 and Guaranteed Lease Revenue Bonds, Series AA of 2016 in the amount of $7,920,000.

Governmental Notes Payable: On September 12, 2012, the City of Scranton 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.

Long-Term Trade Debt: In 2013, the City entered into a temporary forbearance agreement with Keystone Sanitary Landfill. The parties agreed that for calendar year 2013 only, the City shall pay tipping fees to Keystone until the City has paid the sum of $417,500. Once paid, all remaining tipping fees for 2013 shall be deferred. The agreement estimated that $1,000,000 forbearance would be required. Beginning on January 15, 2014, the City shall, in addition to its contractually bound per ton tipping fees, the amount of $27,778 for 36 consecutive months ending December 15, 2016. Since the agreement is an estimating, the 36th payment will be adjusted to reflect the actual deferred amount. The actual amount of the temporary forbearance agreement was $918,597. Based upon actual forbearance, the City will make 33 payments of $27,778, and paid the forbearance in October 2016.

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

Sewer Authority

2007 Revenue Bonds Payable: On September 1, 2007, the Sewer Authority issued $16,810,000 of Sewer Revenue bonds. The proceeds from this issue will primarily be used to fund capital improvement projects.

Original Redemption: The 2007 Series bonds maturing on or after December 1, 2016, are subject to redemption prior to maturity, at the option of the Sewer Authority beginning December 1, 2015, out of moneys deposited with or held by the Trustee for such purposes as a whole or in part at any time, and, in any order of maturities selected by the Sewer Authority, 100% of the par amount, plus accrued interest.

7. LONG-TERM DEBT (continued)

Sewer Authority (continued)

Mandatory Redemption: The bonds stated to mature on December 1, 2024, December 1, 2032, and December 1, 2036, are subject to mandatory redemption prior to maturity on December 1 of each year, in each case at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest to the redemption date, from funds to be deposited in the Sinking Fund, on or before December 1 of each year.

Refunding of Debt: On November 18, 2014, the Sewer Authority issued $10,000,000 of Series 2014 Sewer Revenue Bonds, the proceeds of which were used to partially defease through an advanced refunding $9,285,000, of the outstanding Series 2007 Sewer Revenue Bonds. The net proceeds, after deducting the costs associated with this issuance, amounting to $9,736,963, has been placed into escrow to provide funding for all interest and principal payments on the defeased Series 2007 Sewer Revenue Bonds through the December 1, 2015 scheduled repayment date.

On April 22, 2015, the Authority issued $7,985,000 of Series 2015 Sewer Revenue Bonds, the proceeds of which were used to fully defease through an advanced refunding $7,315,000 of the outstanding Series 2007 Sewer Revenue Bonds. The net proceeds, after deducting the costs associated with the issuance, amounting to $7,652,851 had been placed in escrow to provide funding for all interest and principal payments on the defeased Series 2007 Revenue Bonds through the December 1, 2015 scheduled repayment date.

Authority 2000 Series (PENNVEST Loan): The balance outstanding at March 31, 2016, amounted to $1,968,854. The loan is secured by the gross revenues of the Sewer Authority and the guarantee of the City of Scranton. Interest only was payable on advances until July 1, 2003, when monthly principal and interest payments are due up to and including January 2023. Interest is at 1.522% for the first 5 months and 3.045% thereafter. Legal fees relating to obtaining the financing amounted to $44,338, and have been recorded as deferred charges.

Sewer Authority 2002 Series (PENNVEST Loan): The balance outstanding at March 31, 2016, amounted to $2,175,195. This loan closed in October 2002 in the amount of $4,947,000. The security is the same as above. Interest only is payable on advances until August 1, 2004, when monthly principal and interest payments are due up to and including July 1, 2024. Interest is at 1.387% for the first 81 months and 2.774% thereafter.

7. LONG-TERM DEBT (continued)

Sewer Authority (continued)

Sewer Authority 2003 Series (PENNVEST Loan): This loan closed in December 2003, in the amount of $2,806,264. The balance outstanding at March 31, 2016 amounted to $1,207,786. The security is the same as above. Interest only is payable on advances until February 1, 2005, when monthly principal and interest payments are due up to and including January 1, 2025. Interest is at 1.387% for the first 73 months and 2.774% thereafter.

Sewer Authority 2004 Series (PENNVEST Loan): In December 2004, the Sewer Authority closed on a fourth loan in the amount of $3,690,127. The balance outstanding at March 31, 2016 was $2,160,855. The security is the same as above. Monthly principal and interest payments began June 2007 and are due up to and including May 2027. Interest is at 1.942% for the first 60 months and 3.052% thereafter.

Sewer Authority 2007 Series (PENNVEST Loan): In November 2007, the Sewer Authority closed on a fifth loan in the amount of $4,329,181. The balance outstanding at March 31, 2016 was $2,827,067. The security is the same as above. Monthly principal and interest payments began May 1, 2009 and are due up to and including April 2029. Interest is at 1.214% for the first 60 months and 2.428% thereafter.

Sewer Authority 2012 Series (PENNVEST Loan): In March 2012, the Sewer Authority closed on a Pennvest loan in the amount of $11,256,361. The proceeds will be utilized primarily for Wastewater Treatment Plant Improvements. The loan is secured by the gross revenues of the Sewer Authority. Interest only is payable on advances for 36 months at a rate of 1%. Interest is 1.51% thereafter, when monthly principal and interest payments are due for another 204 months. The outstanding loan balance at March 31, 2016 was $7,714,934. The Sewer Authority has submitted requests for loan advances totaling $8,345,720 to reimburse for Waste Water Treatment Plan improvements it had incurred through March 31, 2014. At March 31, 2016, an additional loan advance request for the submission of the Sewer Authority's reimbursement of $1,870,143 in Waste Water Treatment Plant improvements incurred during the current fiscal year is outstanding. The outstanding balance is awaiting final settlement as of March 31, 2016.

The PENNVEST loans are federally funded and therefore subject to various compliance requirements. Refer to loan documents for complete details.

2011 Revenue Bonds Payable Series A of 2011: On June 10, 2011, the Sewer Authority issued $21,340,000 of Series A of 2011 Sewer Revenue Bonds. The proceeds from this issue will primarily be used to fund various capital improvement projects.

7. LONG-TERM DEBT (continued)

Sewer Authority (continued)

Optional Redemption: The Series A of 2011 bonds maturing on or after December 1, 2022, are subject to optional redemption prior to maturity, at the option of the Sewer Authority in any order of maturity either as a whole or in part, at any time on or after December 1, 2021, and if in part, by lot within a maturity, at a redemption price equal to 100% of the principal amount, together with accrued interest to the dates fixed for redemption.

Mandatory Redemption: The Series A of 2011 maturing on after December 1, 2031 and on December 1, 2035, are subject to mandatory redemption, in part, prior to maturity, by lot within maturity, at a redemption price equal to 100% of the principal amount, together with accrued interest to the redemption dates fixed for redemption, on December 1 of the years per the Bond documents.

2011 Revenue Bonds Payable Series B of 2011: On June 10, 2011, the Sewer Authority issued $8,135,000 of Series B of 2011 Federally Taxable Sewer Revenue Bonds. The proceeds from this issue will primarily be used to currently refund the Sewer Authority's then outstanding $8,000,000 loan from First National Community Bank dated April 2007.

Optional Redemption: The 2011 Series B of 2011 bonds maturing on or after December 1, 2025, are subject to optional redemption prior to maturity, at the option of the Sewer Authority in any order of maturity either as a whole or in part, at any time on or after December 1, 2021, at a redemption price equal to 100% of the principal amount, together with accrued interest to the dates fixed for redemption.

Mandatory Redemption: The Series B of 2011 bonds maturing on after December 1, 2025, are subject to mandatory redemption, in part, prior to maturity, by lot within a maturity, at a redemption price equal to 100% of the principal amount, together with accrued interest to the redemption dates fixed for redemption, on December 1 of the years per the Bond documents.

Capitalized Lease Obligation: On December 22, 2004, the Sewer Authority issued $4,000,000, 5.99% Guaranteed Lease Revenue Bonds for the benefit of the City of Scranton pursuant to a sale/lease back agreement entered into between the Sewer Authority and the City. The Sewer Authority purchased the new DPW complex located on Popular Street and leased the complex back to the City at the same terms as the Guaranteed Lease Revenue Bonds. The City will purchase the complex for $1 at the end of the lease term. The amount outstanding on the bonds at December 31, 2015, was $1,135,000. Interest is payable on June 15th and December 15th each year with final maturity on December 15, 2016. Principal is payable annually starting on December 15, 2006. The City has guaranteed the Sewer Authority Debt.

7. LONG-TERM DEBT (continued)

Sewer Authority (continued)

On November 1, 2008, the Redevelopment Authority issued $5,900,000 Guaranteed Variable Lease Revenue Bonds, Series of 2008, for the purpose of acquiring a leasehold interest in property owned by the City of Scranton. The bonds and the lease agreement expire on November 1, 2026. The Redevelopment Authority entered into a sublease agreement with the City of Scranton, whereby the City is obligated to pay rent to the Redevelopment Authority's Trustee as to permit the Trustee to pay the principal and interest on the bonds. The Redevelopment Authority has no obligation beyond the resources provided by the sublease agreement. The sublease agreement constitutes a general obligation of the City of Scranton and the full faith and credit and taxing power of the City of Scranton is pledged to the payment of all amounts due under the sublease. The amount outstanding on the bonds at December 31, 2015, was $5,875,000.

Interest is payable monthly based upon whether the bonds are on the weekly mode or term rate mode. If interest is on the weekly rate, interest shall be computed based upon 365 or 366 days as applicable for the number of days actually elapsed. Interest under the term mode will be calculated on a 30/360 basis. The remarketing advisor shall determine the current rate on the immediately preceding weekly rate calculation date. If the remarketing agent does not determine a weekly rate, the rate shall be the 30 day taxable commercial paper rate published for that weekly rate period by Munifacts Wire System, Inc. or a replacement publisher designated in writing by the issuer to the trustee and the remarketing agent. The bonds are subject to mandatory redemption starting on November 1, 2010. Interest rate at December 31, 2015 is 0.19%.

The Sewer Authority has restricted certain cash balances, investments, and related accounts for the retirement of long-term debt.

Capitalized Energy System: In 2006, the City entered into a Master Equipment Lease Purchase Agreement to purchase an Energy Management System. The lease requires quarterly payments of $36,249. The lease rate is 5.05%. Maturity is on December 2021.

Series of 2014: On November 18, 2014, the Sewer Authority issued $10,000,000 of Series 2014 Sewer Revenue Bonds. The bond issuance, net of original issue discount of $208,955, was used to advance refund $9,285,000 of the Sewer Authority's outstanding Series 2017 Revenue Bonds.

As a result of the advanced refunding, the Sewer Authority decreased its total future debt service requirements by $1,502,965, which resulted in a future economic gain of $1,494,041.

At March 31, 2015, the outstanding bonds are recorded net of the unamortized portion of the original issue discount of $206,404.

7. LONG-TERM DEBT (continued)

Sewer Authority (continued)

Original Redemption: The Series 2014 Bonds stated to mature on December 1, 2029, December 1, 2032, December 1, 2034, and December 1, 2036 are subject to mandatory redemption, in part, prior to maturity, by lot within a maturity, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest thereon, to the dates fixed for redemption on December 1 of the years per the Bond documents.

In November 2015, the Authority closed on a PENNVEST loan in the amount of $9,095,489. The proceeds of this loan are to be utilized to fund Long-term Control Plan construction costs for the Authority's CSO #19 and #20 Outfall detention basin project. The loan is secured by the gross revenues of the Sewer Authority of the City of Scranton. Interest rate is 1%. Interest only is payable on advances for the first 19 months during construction, with monthly payments of $41,830 required thereafter, including principal and interest. Maturity July 2023.

On April 1, 2016, the Authority borrowed $2,740,252 under this PENNVEST loan commitment. The authority intends to use the loan proceeds to pay Short-term Borrowings under its $4.0 million Line of Credit agreement, and Accounts Payable for construction project costs incurred by the Authority during the year ended March 31, 2016. Accordingly, these amounts have been classified as Long-term Borrowings under the Authority's Capital Improvement Programs at March 31, 2016.

The PENNVEST loans are federally and state funded and therefore subject to various compliance requirements.

In October 2015, the Authority obtained a $4,000,000 Line of Credit from an area financial institution to provide interim financing for its PENNVEST CSO #19 and #20 Outfall detention basin project. Interest is payable monthly at a variable rate equal to 70% of the prime rate (2.45% at March 31, 2016). Security for the Line of Credit was all receipts and accounts receivable. The Line of Credit matures in September 2020. During the year ended March 31, 2016, the Authority made $1,904,932 in advances under this agreement to partially fund construction costs under its CSO #19 and #20 Outfall basin project. At March 31, 2016, the outstanding balance of $1,904,932 in Short-term Borrowings has been reclassified as Long-term Borrowings through the subsequent $2,740,252 PENNVEST loan received by the Authority on April 1, 2016.

7. LONG-TERM DEBT (continued)

The Authority has an open Line of Credit agreement with an area financial institution dated July 13, 2006, subject to annual removal at the option of the bank. The $2,000,000 Line of Credit is to be used for general working capital of the Authority. Interest is payable monthly at a variable rate equal to National Prime, but never less than a floor of 4%. (4% at March 31, 2016). Security for the Line of Credit is all receipts and accounts receivable, inventories, general intangibles, instruments and contract rights. The Line of Credit has been renewed through, and will expire in October 2016. There was no activity for the year ended March 31, 2016 and there was no outstanding balance owed as of such date.

Future debt service requirements as of December 31, 2016, were as follows:

For the Years Ending December 31,	Governmental Activities General Obligation Bonds Principal	Interest	Total
2017	$ 4,935,000	$ 5,260,634	$ 10,195,634
2018	7,570,000	4,965,454	12,535,454
2019	8,010,000	4,540,973	12,550,973
2020	8,475,000	4,086,044	12,561,044
2021	8,975,000	3,603,487	12,578,487
2022-2026	38,885,000	11,105,344	49,990,344
2027-2031	20,295,000	2,847,579	23,142,579
2032-2033	2,270,000	192,360	2,462,360
Subtotal	99,415,000	36,601,875	136,016,875
Premium	1,598,535	-	1,598,535
Total	**$ 101,013,535**	**$ 36,601,875**	**$ 137,615,410**

For the Years Ending December 31,	Governmental Activities General Obligation Notes Principal	Interest	Total
2017	$ 580,000	$ 2,002,400	$ 2,582,400
2018	845,000	1,958,888	2,803,888
2019	905,000	1,901,100	2,806,100
2020	970,000	1,839,000	2,809,000
2021	1,025,000	1,772,338	2,797,338
2022-2026	7,624,025	7,812,713	15,436,738
2027-2031	23,655,000	4280000	27,935,000
2032	1,820,000	91000	1,911,000
Sub Total	37,424,025	21,657,439	59,081,464
Premium	2,713,692	-	2,713,692
Total	**$ 40,137,717**	**$ 21,657,439**	**$ 61,795,156**

7. LONG-TERM DEBT (continued)

For the Years Ending December 31,	Governmental Activities Notes Payable Principal	Interest	Total
2017	$ 311,660	$ 33,309	$ 344,969
2018	315,125	29,844	344,969
2019	318,647	26,322	344,969
2020	322,227	22,742	344,969
2021	325,807	19,162	344,969
2022-2025	1,040,989	38,771	1,079,759
Total	**$ 2,634,454**	**$ 170,150**	**$ 2,804,604**

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

For the Years Ending December 31,	Principal	Interest	Total
2017	$ 1,494,634	$ 512,802	$ 2,007,436
2018	1,060,782	471,808	1,532,590
2019	1,030,312	416,342	1,446,654
2020	858,079	363,082	1,221,161
2021	847,501	317,875	1,165,376
2022-2026	3,916,915	639,984	4,556,899
2027-2028	1,899,552	131,000	2,030,552
Total	**$ 11,107,774**	**$ 2,852,893**	**$ 13,960,667**

The cost of the assets are	$ 7,313,278
The accumulated depreciation expense through December 31, 2016 is	2,208,207
The net book value of the capitalized leased building and vehicles is	$ 5,105,071

The aggregate maturities of long-term debt are as follows:

Year Ended March 31	Principal	Interest	Total
2017	$ 2,402,093	2,252,584	$ 4,654,677
2018	2,624,151	2,189,268	4,813,419
2019	3,018,636	2,112,829	5,131,465
2020	3,098,070	2,037,886	5,135,956
2021	3,176,900	1,972,663	5,149,563
2022-2026	16,143,770	8,409,527	24,553,297
2027-2031	9,761,325	5,557,329	15,318,654
2032-2036	18,740,000	2,598,260	21,338,260
2037	4,240,000	81,000	4,321,000
	$ 63,204,945	$ 27,211,346	$ 90,416,291
Amortization	(348635)		
Total	$ 62,856,310		

8. RISK MANAGEMENT

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

The 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, 2016, the City's self-insured retention limits are as follows:

Type of Coverage	Self-Insurance Retention (SIR) (All Claims up to)	Excess Coverage Policy (From SIR up to)
General Liability	$ 50,000	$ 950,000
Law Enforcement Liability	50,000	950,000
Public Officials Liability	50,000	950,000
Property	50,000	15,000,000
Automobile Liability	50,000	950,000
Excess Workers' Compensation	350,000	Unlimited
Boiler and Machinery	50,000	15,000,000

Accrued Workers' Compensation Claims

The accrued workers' compensation claim loss reserve of $21,559,564 as of December 31, 2016, was determined by an actuary and represents the discounted present value of expected losses using a 3.50% interest factor. The actuarial value was determined as of September 25, 2016. The amount of Workers' Compensation Claims operating expense for the Internal Service fund for the year ended December 31, 2016 is calculated as follows:

Claims and Cost Paid	$ 2,109,738
Increase In Actuarial Discounted Loss Reserves	3,150,463
Workers' Compensation Claims	**$ 5,260,201**

8. RISK MANAGEMENT (continued)

Accrued Worker's Compensation Claims (continued)

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

Calendar Year Ended	Balance Beginning of Calendar Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance End of Calendar Year
12/31/2014	$ 19,631,799	$ 2,318,717	$ 1,915,505	$ 20,035,011
12/31/2015	20,035,011	519,899	2,145,809	18,409,101
12/31/2016	18,409,101	5,260,201	2,109,738	21,559,564

9. INTERFUND TRANSFERS

Interfund transfers during the year ended December 31, 2016, were as follows:

Operating Transfers	In	Out
General Fund		
Debt Service Fund	$ -	$ 8,823,003
Liquid Fuels Fund	1,016,976	-
Debt Service		
General Fund	8,823,003	-
Liquid Fuels		
General Fund	-	1,016,976
Total	**$ 9,839,979**	**$ 9,839,979**

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS

Defined Benefit Plans

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

The Police Pension Plan provides for normal retirement with 25 years of credited service with a retirement age of 55 years for the 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 with a retirement age of 65 years. The Fireman's pension plan provides for normal retirement at age 55 with 25 years of credited service for members hired on or after July 1, 1987. For members hired prior to July 1, 1987, the Plan provides for normal retirement with 25 years of credited service. The Nonuniformed pension plan provides for normal retirement at age 55 with completion of 15 years of service and have contributed to the pension fund for 20 years. Members are 100% vested when eligible.

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

Police and firemen are required to contribute 5% of covered payroll for fiscal year 2016 for members hired on or after July 1, 1987. Police and firemen are required to contribute 5.5% of covered payroll for fiscal year 2016 for members hired prior to July 1, 1987. Nonuniformed nonunion employees are required to contribute 3% of covered payroll but not more than $22 per month if hired after July 1, 1987. Nonuniformed nonunion employees shall contribute $24 per month if hired before July 1, 1987 or amounts as determined by ordinance.

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Defined Benefit Plans (continued)

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 December 31, 2016. 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 $11,136,566 to the three plans for the year 2016.
Contributions, based on the MMO, in 2016 consisted of the following:

	Police	Firemen	Non-Uniformed	Total
City	$ 6,274,672	$ 7,111,152	$ 1,014,228	$ 14,400,052
Commonwealth	(1,268,647)	(1,023,667)	(971,172)	(3,263,486)
Total	$ 5,006,025	$ 6,087,485	$ 43,056	$ 11,136,566

The pension benefit obligations were determined as part of an actuarial valuation at December 31, 2016. The actuarial cost method used is the Entry Age Normal Cost Valuation Method. Significant assumptions used include a rate of return on investment of present and future assets of 8% per year net of investment expenses, projected salary increases of 5% per year and cost of living increases of 5% for members hired before July 1, 1987, and 2.5% per year for disabled members and widows of members hired after June 30, 1987, for the Police and Fire. Significant assumptions used include a rate of return on investment of present and future assets of 8% per year net of investment expenses, projected salary increases of 5% per year for the Non-Uniformed. Plan assets are valued using a five year smoothing method described in Internal Revenue Service Procedure 2000-40, Approval 16. The unfunded actuarial liability is being amortized as a level percentage of future payroll based upon a 4% annual increase in covered payroll assumption.

Defined Contribution Plan

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.

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension

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, 2016 is below.

Asset Class	Target	Long-Term Expected Real Rate of Return
US Equity	36.00%	5.20%
International Equity	13.50%	5.20%
Emerging Equity	5.50%	5.20%
Core Fixed Income	29.00%	3.00%
Intermediate Inv. Grade Corp	2.75%	3.80%
Bank Loans	2.75%	2.70%
High Yield	2.75%	4.30%
Emerging Debt	2.75%	4.80%
Cash	5.00%	0.80%
Total Net Blended Return		4.20%

* Excludes 2.50% inflation assumption.

Long Term Expected Rate of Return (Including Inflation)	6.70%

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension (continued)

For the year ended December 31, 2016, the annual money weighted rate of return on pension plan investments, net of investment expense was 0.38%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions. Total pension liability was determined by an actuarial valuation as of December 31, 2016, utilizing the Entry Age Normal actuarial funding method and the following actuarial assumptions applied to all periods included in the measurement:

Salary Increases	5.00%
Investment Rate of Return	8.00% (Net of pension plan investment expense including inflation)
Retirement Age	Normal retirement: age 55 and 25 years of service for police and firemen. Age 55, 15 years of service and 20 years of contributions for non-uniformed.
	Early retirement: age 55, 10 years of service and 20 years of contributions for non-uniformed. None for police and firemen.
	Vesting: 10 years of service for non-uniformed. 25 years of service for police and firemen.
Mortality Rate	Based on the Blue Collar RP-2000 Mortality Table

The following table summarizes the membership:

Plan Membership As of December 31, 2016, membership consisted of:	**Police Pension Plan**	**Fireman's Pension Plan**	**Non-Uniformed Pension Plan**
Inactive Plan Members Currently Receiving Benefits	176	210	121
Inactive Plan Entitled to but not yet Receiving Benefits	-	1	4
Active Plan Members	147	132	135
Total	**323**	**343**	**260**

	Police Pension Plan	**Firemen's Pension Plan**	**Non-Uniformed Pension Plan**
Total Pension Liability (TPL)	$ 102,609,523	$ 106,224,669	$ 12,382,284
Plan Fiduciary Net Position	(34,946,300)	(20,703,868)	(3,671,902)
Net Pension Liability (NPL)	$ 67,663,223	$ 85,520,801	$ 8,710,382
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	34.1%	19.5%	29.7%

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension (continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the plan, calculated using the discount rate of 8%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	Police Pension Plan		
	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability	$ 79,962,640	$ 67,663,223	$ 57,376,212

	Firemen's Pension Plan		
	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability	$ 97,421,383	$ 85,520,801	$ 75,454,421

	Non-Uniformed Pension Plan		
	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability	$ 9,739,900	$ 8,710,382	$ 7,814,542

For the year ended December 31, 2016, the municipality recognized a pension expense of $7,059,447. At December 31, 2016, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Pension Plan	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ -	$ 112,206
Changes in Assumptions	1,761,869	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,208,011	-
Total	$ 2,969,880	$ 112,206

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension (continued)

Amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended December 31,:	
2017	$ 1,058,700
2018	1,058,700
2019	761,748
2020	(21,474)
Total	$ 2,857,674

For the year ended December 31, 2016, the municipality recognized a pension expense of $7,892,104. At December 31, 2016, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Firemen Pension Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 452,664
Changes in Assumptions	2,132,421	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	596,376	-
Total	$ 2,728,797	$ 452,664

Amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended December 31,:	
2017	$ 826,387
2018	826,387
2019	660,254
2020	(36,895)
Total	$ 2,276,133

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension (continued)

For the year ended December 31, 2016, the municipality recognized a pension expense of $937,031. At December 31, 2016, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Uniformed Pension Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 9,904	$ -
Changes in Assumptions	198,027	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	131,207	-
Total	$ 339,138	$ -

Amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended December 31,:	Amount
2017	$ 81,195
2018	81,195
2019	81,196
2020	33,029
2021	36,352
Thereafter	26,171
Total	$ 339,138

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Other Postemployment Benefit

Under the terms of its collective bargaining agreements with its police, firemen, clerical, and public works employees, the City is required to provide health insurance to retiring employees who meet the criteria specified in each contract.

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

Under the public works 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%.

The City uses the cash basis to account for these expenditures. The City has not determined the amount of such expenditures for 2016 nor the number of participants eligible for these benefits.

Termination Benefits Payable

The City is providing group insurance healthcare termination benefits to various employees, spouses, and dependents. The termination benefits end between August 31, 2013 and February 28, 2043.

Annual termination benefits of $531,944, have been projected to increase at an annual rate of 7.5% for 2016 and decreasing by 0.5% per year to an ultimate level of 5% per to 0% during 2016, 8.25% during 2017, and reduced by 0.25% per year thereafter to an ultimate level of 5% per year. The present value as of December 31, 2016 was $7,421,691.

Post-Employment Healthcare Plan

The City administers a single-employer plan that covers current and former employees as follows:

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Post-Employment Healthcare Plan (continued)

Benefits: If hired prior to January 1, 1996, medical, prescription drug, dental, and vision coverage are provided same as active employees. If hired after January 1, 1996, no post-employment benefits are provided for police, firefighters, and non-uniform union employees. For management and non-union employees, if hired prior to January 1, 1998, medical, prescription drug, dental, and vision coverage are provided same as active employees. If hired after January 1, 1998, no post-employment benefits are provided.

Eligibility: Minimum of between 20 to 25 years of service. No minimum for post-employment health and welfare benefits.

Coverage Period: From the 2012 settlement, certain named individuals, their spouses and eligible dependents receive coverage for life. Active police and firefighter employees hired prior to January 1, 1996, receive retiree coverage until they and their spouse reach Medicare age or for a period of ten years whichever occurs last. Active employees hired after January 1, 1996, receive no post-employment health benefits for police and firefighters. Non-uniform active employees hired prior to January 1, 1996, receive retiree coverage until they and their spouse reach Medicare age or for a period of ten years whichever occurs last. Non-uniform union employees, management and non-union employees hired between January 1, 1996 and January 1, 1998, receive retiree coverage until they and their spouse reach Medicare age or for a period of three years whichever occurs last. Active employees hired after January 1, 1998, receive no post-employment benefits.

Medicare Part B: Active employees hired prior to January 1, 1996 will receive reimbursement of the Medicare Part B premium for themselves and their spouses during their coverage period.

Retiree Contributions: From the 2012 settlement, certain named individuals, their spouses and eligible dependents do not pay a contribution for retiree coverage. If retired as of January 1, 2013 or after, all other retirees must contribute 50% of the amount an active employee pays for the same coverage. As of January 1, 2015, that amount is 1.5% of the base pay of a second year firefighter and patrolman. Non-uniform union employees, management, and non-union retirees pay a contribution equal to active employees. For 2015, a single retiree’s contribution is $1,248 per year and a married retiree’s is $1,508 per year.

Spousal Coverage: Yes for police and firefighters. For non-uniform union, management, and non-union employees, coverage ceases when coverage ends for the retiree.

Dependent Child Coverage: Yes and coverage ceases when coverage ends for the retiree or age 26, whichever occurs first.

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Post-Employment Healthcare Plan (continued)

Survivor Benefits: Yes for the survivor of retirees receiving coverage for life. Coverage ceases for all other spouses after ten years or upon reaching Medicare eligibility, whichever occurs last. There are no survivor benefits for non-uniform union employees.

Permanent Disability: No minimum age or service requirement.

Life Insurance: Regardless of date of hire, life insurance is two times the salary of the firefighter or police officer at the time of retirement. For non-uniform union, management, and non-union, regardless of hire date, life insurance is $10,000 for the life of the retiree. For police officers and firefighters, life insurance is one times the salary at the date of retirement.

Funding Policy: The required contributions are based upon the pay as you go financing requirements.

Under the pay-as-you-go scenario, the City continues to pay healthcare premiums and cost with no additional contributions to pre-fund the post-employment benefits. A lower discount rate of 4% is assumed since the City's General Fund is the "funding source" and is expected to be conservatively invested. The lower the discount rate, the higher the liabilities and cost. If the City continues to finance retiree healthcare benefits on a pay-as-you-go basis, the underfunded OPEB liability is projected to grow in future years.

An actuarial valuation measures the program's funded status and annual funding of accounting cost based on the assumptions and methods selected. The funded status compares the assets held in segregated irrevocable trust to Actuarial Accrued Liabilities, and the Annual Required Contribution (ARC) represents the Normal Cost plus an amortization of the Unfunded Actuarial Accrued Liability adjusted for interest.

In the valuation process, certain economic and demographic assumptions are made relating to the projection of benefits, as well as the timing and duration of benefits. The stream of expected benefits is discounted to a present value as of the valuation date. The present value is then spread over past service (actuarial accrued liabilities), and service for the current year (normal cost) based on the chosen cost method.

Where appropriate, the actuarial assumptions are consistent with the assumptions utilized for pension actuarial valuations or the City experiences were analyzed and assumed the same would in the future.

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Post-Employment Healthcare Plan (continued)

The following changes in actuarial assumptions have occurred since the January 1, 2013 GASB 45 valuation. In all cases, the revised assumptions better reflect the City's actual experience.

The decrement timing for current active employees has been changed from assuming retirement at the beginning of the year to the middle of the year.

The assumed rate for increase for non-Medicare medical and prescription drug cost has been changed from assuming 7.5% in 2016 reduced by 0.5% per year to an ultimate level of 5% per year, to 0% in 2016, 8.25% during 2017 reduced by 0.25% per year to an ultimate level of 5% per year.

The assumed rate for increase for Medicare medical and prescription drug cost has been changed from assuming 5.0% per year to 6% during 2016 reduced by 0.25% per year to an ultimate level of 5% per year.

The assumed rate of increase for dental and vision cost has been changed from 2.6% per year to 0% for 2 years and 2% per year thereafter.

The assumed rate of increased applicable to the threshold amounts associated with the ACA Cadillac Tax has been changed from 3% per year to 2.75% per year.

The assumed rate of mortality for fire and police has changed from Blue Collar RP-2000 to Blue Collar RP-2000 projected 15 years using Scale AA.

The assumed rate of mortality for non-uniformed employees and retirees has changed from RP-2000 to RP-2000 projected 15 years using Scale AA.

The assumed rate of increase in fire and police salaries has changed from 2.25% per year to 2.25% during 2016 and 2017, 2.01% in 2018 and 2019 and 2.26% per year thereafter. This assumes that a 0.5% per year is attributable to merit and promotional increases.

The assumed rate of increase in future uniformed retiree contributions has changed from 1.75% during 2015 and 2016, 18.71% in 2017, and 1.75% per year thereafter to 1.75% during 2015 and 2016, 18.71% in 2017, 1.51% in 2018 and 2019 and 1.76% per year thereafter.

The assumed rate of increase in future non-uniformed retiree contributions (excluding Public Works) has changed from 2.0% per year for all participants to 2% per year for retirees and 0% for spouses and children.

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Post-Employment Healthcare Plan (continued)

The percentage of retirees assumed to have a child participating in coverage has changed from assuming 20% of retirees have two children participating in coverage to 50% of retirees have one child participating in coverage.

Actuarial Cost Method: Entry age normal cost method was used. This cost method effectively spreads liabilities over the working lifetime of active participants as a level dollar amount.

Discount Rate: The discount rate is based upon the funding basis that the sponsor employs. Since the City uses the pay-as-you-go method of funding, benefits to be paid out of the general fund is expected to earn a short-term investment rate of 4%.

Healthcare Cost Trend: The medical and prescription drug trend rate for Non-Medicare retirees is assumed to be 0% in 2016, 8.25% in 2017 decreasing by 0.25% per year to an ultimate level of 5% per year. The medical and prescription drug trend rate for Medicare retirees is assumed to be 6.0% in 2016 reduced by 0.25% per year to an ultimate level of 5% per year. The dental and vision trend rate is assumed to be 0% during 2016 and 2017 and 2% per year thereafter. The Medicare Part B Premium trend rate is assumed to be 1% per year.

Retirement: Fire fighters’ retirement is assumed to occur at age 57 with 25 years of service. Police retirement is assumed to occur at age 55 with 25 years of service. Non-uniformed retirement is assumed to occur at age 60 with 20 years of service.

Mortality: Uniformed – RP – 2000 Tables with Blue Collar Adjustments for Males and Females projected 15 years using Scale AA. Non-uniformed RP – 2000 Tables for Males and Females projected 15 years using Scale AA.

Disability: 1955 United Auto Workers Disability Table.

Withdrawals: Uniformed starting at 5.5% for age 20 and decreasing by a 0.5% every five years until 0.00% at age 50. Non-uniformed starting at 15.0% for age 20 decreasing to 15% at age 25 and then 2.5% every five years until 0.00 at age 55.

Salary Scale: Uniformed employee salaries are assumed to increase at the rate of 2.25% during 2016 and 2017, 2.01% during 2018 and 2019 and 2.26% per year thereafter. The rate is based upon the increases described in the recent Memorandum of Understanding effective 2018 plus an additional 0.5% per year to reflect merit increases/promotions. Salary scale for non-uniformed employees is not necessary for valuation purposes.

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Post-Employment Healthcare Plan (continued)

Retiree Contribution Increase for Future Retirees: Uniformed contributions are assumed to increase by 1.75% during 2016, 18.71% in 2017, 1.51% in 2018 and 2019 and 1.76% per year thereafter. Non-uniform excluding Department of Public Works contributions are assumed to increase by 2% per year for retirees and 0% for spouses and dependent children. For the Department of Public Works, no increase is assumed. Contributions are assumed to remain level.

Participation: 100% of retirees who are eligible to participate are assumed to do so.

Marital Status: 85% of future retirees are assumed to be married with a spouse participating in coverage.

Age: Females spouses of future retirees are assumed to be the same age as male spouses.

Children: 50% of retirees are assumed to have a child participating in coverage. The age difference between the retiree and child is assumed to be 38 years.

Annual Required Contribution	$	15,208,042
Interest on Net OPEB Obligation		1,045,028
Adjustment to Annual Required Contribution		(1,672,358)
Annual OPEB Cost (Expense)		14,580,712
Interest On Employer Contributions		178,014
Contributions Made		(8,394,040)
Increase in Net OPEB Obligation		6,186,672
Net OPEB Obligation- Beginning of Year		26,125,705
Net OPEB Obligation- End of Year	$	32,312,377

Fiscal Year Ending	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
12/31/2014	$ 11,987,182	72%	$ 20,070,235
12/31/2015	14,338,493	58%	26,125,705
12/31/2016	14,580,712	58%	32,312,377

Schedule of Funding Process

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio	Annual Covered Payroll	Ratio of UAL to Payroll
01/01/12	$ -	$ 227,990,268	$ 227,990,268	0.00%	$ 25,481,647	894.72%
01/01/13	-	184,941,503	184,941,503	0.00%	27,259,944	678.44%
01/01/15	-	195,258,597	195,258,597	0.00%	30,528,097	639.60%

11. CREDIT AND MARKET RISK

The City uses its authority to levy certain general purpose taxes. Major taxing revenue sources include real estate, earned income, mercantile, and business privilege taxes. These taxes account for approximately 75% of the total taxes collected by the City in 2016. 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.

12. RELATED PARTY TRANSACTIONS

The City paid approximately $600,000, to the Single Tax Office to subsidize certain operating costs of this entity. The Single Tax Office collected approximately $30.4 million, of tax revenues on behalf of the City in 2016.

13. COMMITMENTS AND CONTINGENCIES

Litigation

Currently, there are various claims and suits pending against the City, the more significant of which are summarized below:

Various lawsuits have been instituted against the City resulting mainly from injuries sustained in accidents on City properties. Legal counsel cannot estimate the probability of successful outcome and the amount of the potential liability from these matters at this time. However, the City has affirmed that it has adequate insurance to cover any possible claim of judgment. The risk in some cases is that a nominal award will be granted and counsel fees of significant sums will be awarded.

The City is a defendant in various labor, employment matters, and liability claims. Counsel for the City cannot determine the likelihood of success at the present time. The City believes the suits are without merit and is vigorously defending its position. The liability, if any, may have a material impact on the financial statements as presented.

The City is a defendant in a condemnation case; the Board of Viewers found a defacto condemnation and awarded damages in the amount of $247,000. An appeal is de novo and the City instructed its attorneys to file a timely appeal. Legal counsel cannot estimate the probability of successful outcome of the appeal at the present time.

13. COMMITMENTS AND CONTINGENCIES (continued)

Litigation (continued)

In June 2012, the City entered into settlement agreements with both the Fire Fighters and Police Unions. In part it required the City to fully and promptly implement and comply with all terms and conditions of the Act 111 Awards between the parties for the periods 2003-2007 and 2008-2014, including but not limited to the payment of longevity and use and accrual of sick leave and adjustment of existing pensions as a result of the increase in base wages.

On or before June 30, 2013, the City shall pay all back pay damages and interest arising from the application of the terms of the Act 111 Awards between the parties for 2003-2007 and 2008-2014 to all current and former members of the bargaining unit, including the adjustment of the pensions as a result of the increase in base wages. Such damages shall include interest computed from the date initially payable to June 30, 2013, at 6%, compounded in accordance with the procedures established by the Pennsylvania Labor Relations Board and confirmed by the Commonwealth Court. In the event that any delay should occur beyond June 30, 2013, interest shall be computed to date of actual payment.

The City has estimated the damages to be $27,602,167, including accrued interest through December 31, 2015 and will pay the damages out of a future borrowing and has been accrued in the Government-Wide Financial Statements for active employees. The liability for adjustments of the pension as a result of the increases will be paid out the City Pension Fund and future city contributions under its required municipal minimum obligation will materially increase. As of the date of these financial statements, the City has not paid any amounts arising under the terms of the agreement. During the year ended December 31, 2016, the City reached a settlement agreement with the police and firefighters unions.

The City has been named as a party defendant in two cases with a construction contractor. The contractors are seeking payment allegedly due for services allegedly performed pursuant to a construction agreement. Management of the City is responding to the litigation and intends to contest this case vigorously. If unsuccessful, the potential exposure could be material to the financial statements.

The City is a defendant in a Class Action Suit brought by the Police Pension Fund of Scranton. The plaintiffs are seeking recovery of longevity increases to which they contend they were entitled in addition to their pension payments. Any settlement of funds will be paid out of the Police Pension Fund and will increase longevity payments of retired members on a going forward basis. Potential exposure could be material to the financial statements of the Pension Fund and future city contributions under its required municipal minimum obligation.

13. COMMITMENTS AND CONTINGENCIES (continued)

Litigation (continued)

The City is a defendant in a lawsuit that claims as a result of various flood projects undertaken by the City, the petitioner suffered a de facto condemnation and marked decline in value of their property. The Board of Viewers awarded damages in favor of the petitioner and an appeal is de novo and the City has authorized and directed a timely appeal. If the appeal is unsuccessful, the potential exposure could be material to the financial statements.

Collective Bargaining Agreements

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

Fund Deficit Self-Insurance Fund Settlement Agreement

On December 18, 2001, the City entered into a Settlement Agreement and Release with the Commonwealth of Pennsylvania Department of Labor and Industry, Bureau of Worker's Compensation (the Bureau) in order to maintain its ability to self-insure.

The settlement requires the City to correct various program deficiencies and to provide for unfunded outstanding claims in various annual increments beginning in 2004 through 2012 and to keep current on annual costs for claims, administration, and operating expenses.

During 2003, the City funded the Internal Service Fund with $13,000,000 from the 2003 debt issuance, thereby meeting the various annual increments through 2013.

In February 2006, the Bureau and the City entered into the third amendment to the irrevocable agreement of trust modification of the December 2001 Settlement Agreement and Release. The agreement modification to allow a deficit of no more than 25% between the City's outstanding liability and asset value of the Reserve Account of the City's Worker's Compensation Trust Fund will require that any shortfall above the permitted 25% deficit amount be funded over a five-year period.

14. 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 as coordinator to administer a recovery plan for the City pursuant to this Act.

During 2015, the City revised and updated its Act 47 Recovery Plan. The 2015 plan identifies mandates that the City must implement to eliminate the City's operating budget deficits as projected by the Act 47 Coordinator.

The City's Act 47 Coordinator, in conjunction with the City, worked on a revision to the 2012 Recovery Plan. In October 2014, the State of Pennsylvania signed House Bill 1773 into law. The bill significantly overhauled the Municipalities Financial Recovery Act, Known as Act 47. The new law placed a five-year time limit for municipalities to exit Act 47. For municipalities already under Act 47 and operating under a recovery plan, the termination date for their distressed status will be five years from the effective date of their most recent recovery plan or amendment. The 2015 Revised Recovery Plan was adopted by City Council in March 2015.

The revised Recovery Plan and its provisions outlined below are designed to restore long term fiscal stability, budgetary predictability, and the repair of the City's creditworthiness.

The new Recovery Plan provides the fiscal framework for the City's governing bodies to follow through 2020.

14. DISTRESSED MUNICIPALITY STATUS (continued)

The following mandates are provisions of the 2015 Recovery Plan:

- The City of Scranton will petition the Lackawanna County Court of Common Pleas to increase the Local Services Tax from $52 per year to $156 per year. The increased revenue from the tax is included in the City of Scranton 2015 budget;
- The City of Scranton will apply for grant funding to undertake the feasibility and analysis of the creation of a Municipal Solid Waste Collection Authority and, separately, a Storm Water Management Authority;
- The City of Scranton will review the divestiture of other non-essential assets not directly related to the provision of services;
- The Recovery Coordinator will prepare an analysis on the impact of the implementation of a payroll preparation tax. The tax would replace the Business Privilege and Mercantile taxes;
- The City will continue its review of health care and related programs to reduce the rate of increase in employee health care costs;
- Representatives of the City of Scranton and Scranton Housing Authority will meet to determine levels of financial assistance in addition to the lieu of payments provided by the Authority;
- The City of Scranton will continue to use its real estate taxing authority to eliminate operating deficits projected to occur through 2020 if the implementation of the Plan's comprehensive mandates are not authorized;
- The City of Scranton will undertake an analysis of the status of properties presently exempt from taxation;
- With the reductions of staff over the past five years, the City will seek greater efficiencies in departmental tax execution by a review and evaluation of work assignments;
- The City of Scranton will review pension plan changes for employees not represented by a collective bargaining unit or applicable law;
- The City will continue to review for utilization the provisions of Act 205, the Municipal Pension Plan Funding Standard and recovery Act;

14. DISTRESSED MUNICIPALITY STATUS (continued)

- The City of Scranton will appoint a commission to review the ability to implement shared services programs; and
- The City of Scranton will continue to pursue the implementation of the provisions of a Land Bank, as authorized by Act 153 of 2012.

Other initiatives of the City of Scranton are designed to achieve greater cost savings and efficiencies, as well as revenue production. Those initiatives include:

- The City of Scranton is completing a restructuring of the fee schedule of the Department of Licenses and Permits; and
- Further enhancements to the program include a mobile payment application. These enhancements, along with increases to meter rates and citations, will lead to increased parking revenue.

15. REAL ESTATE TAXES COLLECTED

	Land	Building	Total
Total Assessed Value	$ 91,620,242	$ 301,843,049	$ 393,463,291
Millage Rates	232.521	50.564	283.085
Total Original Taxes Levied	**21,303,630**	**15,262,392**	**36,566,022**
Add: Additions	4,581	2,953	7,534
Less: Abatements	57,213	22,991	80,204
Real Estate Taxes To be Collected At Face	21,250,998	15,242,354	36,493,352
Add: Penalties Collected			222,990
Total Before Deductions			36,716,342
Less: Discounts Taken			560,895
Less: Home Vouchers			5,051
Less: KOZ Credits			91,682
Less: Delinquent Taxes Returned			4,703,759
Less: Other Miscellaneous			130,012
Total Real Estate Taxes Collected			**$ 31,224,943**

16. SCRANTON PARKING AUTHORITY

The City had guaranteed the outstanding debt of the Parking Authority and had recorded a liability of $32,850,000 as of December 31, 2015. The City issued bonds during the year ended December 31, 2016 and retired the outstanding debt the City owed on the bonds.

17. SEWER AUTHORITY

During the year ended December 31, 2016, the Sewer Authority was sold to a third party. The City received $66,519,986 as part of the sale, which is included in the General Fund activity on the statement of revenue, expenditures, and changes in fund balance – governmental funds. As a part of the sale, the City additionally received escrow deposits and wind down funds held back of $17,840,000, which are held by a third party. This amount is included in other assets and other liabilities in the General Fund. The Sewer Authority financial statements for the period April 1, 2016 through the date of the sale are not available. The third party paid $195,000,000 for the Sewer Authority, of which $67,065,588 was used to pay off the defeased Sewer Authority debt. Additionally, the Dunmore Borough received $16,626,366 for their share of the sale and received $4,460,000 of escrow deposits.

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

18. OPERATIONS

As of December 31, 2016, the City's governmental activities net position was a deficit of $186,686,122. Total liabilities were $413,124,145 as of December 31, 2016 of which $137,879,106 related to long-term debt obligations, $161,894,406 related to net pension liability and $39,734,068 related to other post-employment benefits. The City made governmental activities debt service payments of $12,420,110 during 2016, compared to total governmental revenue of $99,678,022 for 2016. Total property and ACT 511 taxes were $73,261,398 compared to a net deficit of $186,686,122 for 2016 in the governmental activities. The City's total general fund revenues were $86,488,442 of which $32,837,874 were related to real estate taxes. The City is considered a distressed municipality under Act 47. The City has included its recovery plan in footnote 14.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SCRANTON, PENNSYLVANIA

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios - Police
December 31, 2016

	2016	2015	2014
Total Pension Liability			
Service Cost	$ 1,300,741	$ 1,238,801	$ 1,093,850
Interest	7,805,006	7,519,247	7,050,809
Differences Between Expected and Actual Experience	-	(218,430)	-
Changes of Assumptions	-	3,149,169	-
Benefit Payments, Including Refunds of Member Contributions	(5,334,183)	(5,343,755)	(5,385,989)
Net Change in Total Pension Liability	3,771,564	6,345,032	2,758,670
Total Pension Liability - Beginning	98,837,959	92,492,927	89,734,257
Total Pension Liability - Ending	$ 102,609,523	$ 98,837,959	$ 92,492,927
Plan Fiduciary Net Position			
Contributions - Employer	$ 5,006,025	$ 4,041,361	$ 3,975,175
Contributions - State Aid	1,268,647	1,129,200	1,107,586
Contributions - Member	754,378	420,859	350,984
Net Investment Income	2,564,169	115,460	1,754,307
Benefit Payments, Including Refunds of Member Contributions	(5,334,183)	(5,343,755)	(5,385,989)
Administrative Expense	(56,185)	(42,686)	(44,009)
Net Change in Plan Fiduciary Net Position	4,202,851	320,439	1,758,054
Plan Net Position - Beginning	30,743,449	30,423,010	28,664,956
Plan Net Position - Ending	$ 34,946,300	$ 30,743,449	$ 30,423,010
Plan's Net Pension Liability	$ 67,663,223	$ 68,094,510	$ 62,069,917
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	34.1%	31.1%	32.9%
Covered Employee Payroll	$ 10,100,000	$ 9,700,000	$ 8,700,000
Plan's Net Pension Liability as a Percentage of the Covered Employee Payroll	669.9%	702.0%	713.4%
Annual money-weighted rate of return, net of investment expense	5.29%	0.38%	6.57%

Notes to Schedules:

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.

* This schedule will be presented on a prospective basis.

This information is not available for previous years.

CITY OF SCRANTON, PENNSYLVANIA

Schedule of Employer Contributions - Police
December 31, 2016

	2016	2015	2014
Actuarially determined contribution	$ 6,274,672	$ 5,170,561	$ 5,082,761
Contributions made	6,274,672	5,170,561	5,082,761
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 10,100,000	$ 9,700,000	$ 8,700,000
Contributions as a percentage of covered-employee payroll	62.1%	53.3%	58.4%

* This schedule will be presented on a prospective basis.

Notes to Schedule

Actuarial Measurement Date	As of December 31, 2016
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	16 years
Asset Valuation Method	5 year smoothing method described in internal revenue procedure 2000-40 approval 16.
Assumptions:	
Inflation	2.25%
Salary Increases	5.00%
Investment Rate of Return	8.00% (Net of pension plan investment expense including inflation)
Retirement Age	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
Mortality Rate	Based on the Blue Collar RP-2000 Mortality Table

This information is not available for previous years.

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratio - Firemen
December 31, 2016

	2016	2015	2014
Total Pension Liability			
Service Cost	$ 998,710	$ 951,152	$ 877,594
Interest	8,107,968	7,914,310	7,523,591
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	(784,286)	-
Changes of Assumptions	-	3,694,635	-
Benefit Payments, Including Refunds of Member Contributions	(6,465,804)	(6,518,785)	(6,483,409)
Net Change in Total Pension Liability	2,640,874	5,257,026	1,917,776
Total Pension Liability - Beginning	103,583,795	98,326,769	96,408,993
Total Pension Liability - Ending	$106,224,669	$103,583,795	$ 98,326,769
Plan Fiduciary Net Position			
Contributions - Employer	$ 6,087,485	$ 5,011,978	$ 4,928,939
Contributions - State Aid	1,023,667	1,011,575	1,006,897
Contributions - Member	751,112	378,642	325,302
Net Investment Income	1,522,810	67,227	1,031,379
Benefit Payments, Including Refunds of Member Contributions	(6,465,804)	(6,518,785)	(6,483,409)
Administrative Expense	(48,494)	(42,078)	(50,368)
Net Change in Plan Fiduciary Net Position	2,870,776	(91,441)	758,740
Plan Net Position - Beginning	17,833,092	17,924,533	17,165,793
Plan Net Position - Ending	$ 20,703,868	$ 17,833,092	$ 17,924,533
Plan's Net Pension Liability	$ 85,520,801	$ 85,750,703	$ 80,402,236
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	19.5%	17.2%	18.2%
Covered Employee Payroll	$ 9,100,000	$ 9,000,000	$ 7,800,000
Plan's Net Pension Liability as a Percentage of the Covered Employee Payroll	939.8%	952.8%	1030.8%
Annual money-weighted rate of return, net of investment expense	5.29%	0.38%	6.57%

Notes to the Schedules:

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.

* This schedule will be presented on a prospective basis.

This information is not available for previous years.

CITY OF SCRANTON, PENNSYLVANIA

Schedule of Employer Contributions - Firemen
December 31, 2016

	2016	2015	2014
Actuarially determined contribution	$ 7,111,152	$ 6,023,553	$ 5,935,833
Contributions made	7,111,152	6,023,553	5,935,833
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 9,100,000	$ 9,000,000	$ 7,800,000
Contributions as a percentage of covered-employee payroll	78.14%	66.93%	76.10%

* This schedule will be presented on a prospective basis.

Notes to the Schedule

Actuarial Measurement Date	As of December 31, 2016
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	23 years
Asset Valuation Method	5 year smoothing method described in internal revenue procedure 2000-40 approval 16.
Assumptions:	
Inflation	2.25%
Salary Increases	5.00%
Investment Rate of Return	8.00% (Net of pension plan investment expense including inflation)
Retirement Age	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
Mortality Rate	Based on the Blue Collar RP-2000 Mortality Table

This information is not available for previous years.

CITY OF SCRANTON, PENNSYLVANIA

Schedule of Changes in Pension Fund Net Pension Liability and Related Ratio – Non-Uniformed
December 31, 2016

	2016	2015	2014
Total Pension Liability			
Service Cost	$ 82,437	$ 78,511	$ 81,737
Interest	954,145	887,006	937,975
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	13,368	-
Changes of Assumptions	-	267,267	-
Benefit Payments, Including Refunds of Member Contributions	(997,346)	(1,077,747)	(1,110,468)
Net Change in Total Pension Liability	39,236	168,405	(90,756)
Total Pension Liability - Beginning	12,275,838	12,107,433	12,198,189
Total Pension Liability - Ending	$ 12,315,074	$ 12,275,838	$ 12,107,433
Plan Fiduciary Net Position			
Contributions - Employer	$ 43,056	$ 245,284	$ 271,319
Contributions - State Aid	979,014	862,584	836,499
Contributions - Member	36,606	37,141	37,752
Net Investment Income	270,237	12,956	200,183
Benefit Payments, Including Refunds of Member Contributions	(997,346)	(1,144,957)	(1,110,468)
Administrative Expense	(109,478)	(92,284)	(48,723)
Net Change in Plan Fiduciary Net Position	222,089	(79,276)	186,562
Plan Net Position - Beginning	3,382,603	3,461,879	3,275,317
Plan Net Position - Ending	$ 3,604,692	$ 3,382,603	$ 3,461,879
Plan's Net Pension Liability	$ 8,710,382	$ 8,893,235	$ 8,645,554
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	29.3%	27.6%	28.6%
Covered Employee Payroll	$ 5,400,000	$ 5,300,000	$ 5,300,000
Plan's Net Pension Liability as a Percentage of the Covered Employee Payroll	161.3%	167.8%	163.1%
Annual money-weighted rate of return, net of investment expense	5.29%	0.38%	6.57%

Notes to the Schedules:

Assumption Changes - In 2015, the mortality assumption was changed from the RP-200 Table to the RP-2000 Table projected to 2015 using Scale AA.

* This schedule will be presented on a prospective basis.

This information is not available for previous years.

CITY OF SCRANTON, PENNSYLVANIA

Schedule of Employer Contributions – Non-Uniformed
December 31, 2016

	2016	2015	2014
Actuarially determined contribution	$ 1,014,228	$ 1,107,868	$ 1,107,818
Contributions made	1,014,228	1,107,868	1,107,818
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 5,400,000	$ 5,300,000	$ 5,300,000
Contributions as a percentage of covered-employee payroll	18.78%	20.90%	20.90%

* This schedule will be presented on a prospective basis.

Notes to the Schedule

Actuarial Measurement Date	As of December 31, 2016
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	11 years
Asset Valuation Method	5 year smoothing method described in internal revenue procedure 2000-40 approval 16.
Assumptions:	
Inflation	2.25%
Salary Increases	5.00%
Investment Rate of Return	8.00% (Net of pension plan investment expense including inflation)
Retirement Age	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 Rate	Based on the Blue Collar RP-2000 Mortality Table

This information is not available for previous years.

CITY OF SCRANTON, PENNSYLVANIA

Schedule of Funding Process – Other Post Employment Benefits
December 31, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio	Annual Covered Payroll	Ratio of UAL to Payroll
01/01/12	$ -	$ 227,990,268	$ 227,990,268	0.00%	$ 25,481,647	894.72%
01/01/13	-	184,941,503	184,941,503	0.00%	27,259,944	678.44%
01/01/15	-	195,258,597	195,258,597	0.00%	30,528,097	639.60%

CITY OF SCRANTON, PENNSYLVANIA

Schedule of Employer Contributions – Other Post Employment Benefits
December 31, 2016

Fiscal Year Ending	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
12/31/2014	$ 11,987,182	72%	$ 20,070,235
12/31/2015	14,338,493	58%	26,125,705
12/31/2016	14,580,712	58%	32,312,377

SUPPLEMENTARY INFORMATION

CITY OF SCRANTON, PENNSYLVANIA

Supplemental Schedule of Revenue and Expenditures - Budget and Actual - General Fund
For the Year Ended December 31, 2016

	Budget Amounts			Variance from
	Original	Final	Actual	Final Budget
REVENUE				
Taxes	$ 71,003,436	$ 71,003,436	$ 70,983,550	$ (19,886)
Intergovernmental	3,961,961	3,961,961	4,259,354	297,393
Departmental earnings	999,750	999,750	1,410,012	410,262
Refuse disposal fees	7,287,500	7,287,500	7,440,667	153,167
Licenses & permits	2,401,750	2,401,750	1,571,482	(830,268)
Cable television franchise revenue	1,155,000	1,155,000	1,016,420	(138,580)
Payments in lieu of taxes	275,000	275,000	235,791	(39,209)
Other revenues	1,531,499	1,531,499	1,030,478	(501,021)
Rents and concessions	5,000	5,000	6,500	1,500
TOTAL REVENUE	88,620,896	88,620,896	87,954,254	(666,642)
EXPENDITURES				
General government	15,302,530	15,302,530	13,824,527	1,478,003
Public safety	49,992,483	49,992,483	48,284,517	1,707,966
Public works	11,301,426	11,301,426	10,889,714	411,712
Culture and recreation	721,313	721,313	649,603	(71,710)
Debt service	5,379,840	5,379,840	12,442,160	7,062,320
TOTAL EXPENDITURES	82,697,592	82,697,592	86,090,521	10,588,291
Excess of Revenues Over (Under) Expenditures	5,923,304	5,923,304	1,863,733	(11,254,933)
Other Financing Sources (Uses)				
Proceeds from tax anticipation notes	12,750,000	12,750,000	12,750,000	-
Repayments from tax anticipation notes	(12,960,000)	(12,960,000)	(13,014,162)	(54,162)
Court Award	(27,779,401)	(27,779,401)	(31,310,879)	(3,531,478)
Parking authority debt payments	-	-	(31,864,978)	(31,864,978)
Bond issuance	29,100,000	29,100,000	74,018,961	44,918,961
Operating transfers in	1,740,000	1,740,000	1,016,958	(723,042)
Operating transfers out	(8,823,003)	(8,823,003)	(8,823,003)	-
Net Other Financing Sources (Uses)	(5,972,404)	(5,972,404)	2,772,897	8,745,301
Sale of Sewer Authority	-	-	66,519,986	66,519,986
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(49,100)	(49,100)	71,156,616	64,010,354
Fund Balance, Beginning of Year	15,734,359	15,734,359	5,353,203	(10,381,156)
Fund Balance, End of Year	**$15,685,259**	**$15,685,259**	**$76,509,819**	**$ 53,629,198**

CITY OF SCRANTON, PENNSYLVANIA

Supplemental Schedule of Revenue and Expenditures - Budget and Actual - General Fund
For the Year Ended December 31, 2016

	Budget Amounts			
	Original	Final	Actual	Variance from Final Budget
REVENUES				
Taxes				
Act 511:				
Wage	$ 24,975,000	$ 24,975,000	$ 26,675,094	$ 1,700,094
Non-Resident Wage Tax	425,000	425,000	(104,647)	(529,647)
Delinquent Wage Tax	155,000	155,000	(203,232)	(358,232)
Real Estate Transfer	2,685,000	2,685,000	3,994,340	1,309,340
Mercantile	1,555,000	1,555,000	1,199,300	(355,700)
Business Privilege	1,805,000	1,805,000	1,045,389	(759,611)
Local Service Tax	5,020,000	5,020,000	4,811,845	(208,155)
Delinquent Mercantile	75,000	75,000	244	(74,756)
Delinquent Business Privilege	125,000	125,000	54,837	(70,163)
Total Act 511	36,820,000	36,820,000	37,473,170	653,170
Current Real Estate	13,770,304	13,770,304	16,237,142	2,466,838
Current Real Estate Tax Land	19,089,532	19,089,532	14,988,131	(4,101,401)
Delinquent Real Estate	675,000	675,000	1,612,601	937,601
Public Utility	66,000	66,000	77,295	11,295
Parking Tax	147,500	147,500	133,696	(13,804)
Amusement Tax	300,000	300,000	383,976	83,976
Penalties & Interest	130,100	130,100	77,539	(52,561)
Total Taxes	70,998,436	70,998,436	70,983,550	(14,886)
Intergovermental				
Supplemental State Assisted Pension	3,150,000	3,150,000	3,271,328	121,328
FEMA Emergency	-	-	17,454	17,454
ACT 47 Grants	-	-	73,903	73,903
OECD Reimbursement Demoliton Program	229,414	229,414	399,368	169,954
Fire Safety Grant	582,547	582,547	497,300	(85,247)
Total Intergovernmental	3,961,961	3,961,961	4,259,353	297,392
Departmental Earnings				
Parking Meters	575,500	575,500	782,948	207,448
Pave Cuts	280,500	280,500	548,089	267,589
Report Copies Fire & Police	-	-	-	-
Alarm Fees	128,500	128,500	51,850	(76,650)
Zoning	15,250	15,250	27,125	11,875
Total Departmental Earnings	999,750	999,750	1,410,012	410,262
Refuse Disposal Fees	$ 7,287,500	$ 7,287,500	$ 7,440,667	$ 153,167

CITY OF SCRANTON, PENNSYLVANIA

Supplemental Schedule of Revenue and Expenditures - Budget and Actual - General Fund
For the Year Ended December 31, 2016

Total Refuse Disposal Fees	7,287,500	7,287,500	7,440,667	153,167
Licenses and Permits	2,401,750	2,401,750	1,571,482	(830,268)
Total Licenses and Permits	2,401,750	2,401,750	1,571,482	(830,268)
Cable Television Franchise Revenue	1,155,000	1,155,000	1,016,420	(138,580)
Total Cable Television Franchise Revenue	1,155,000	1,155,000	1,016,420	(138,580)
Payments in Lieu of Taxes	275,000	275,000	235,791	(39,209)
Total Payments in Lieu of Taxes	275,000	275,000	235,791	(39,209)
Rents and Concessions	5,000	5,000	6,500	1,500
Total Rents and Concessions	5,000	5,000	6,500	1,500
Other Revenues				
Interest Income	12,500	12,500	13,874	1,374
User Fees	65,000	65,000	48,728	(16,272)
Fines and Forfeits	843,500	843,500	774,250	(69,250)
Donations	5,000	5,000	-	(5,000)
Other	610,499	610,499	193,627	(416,872)
Total Other Revenues	1,536,499	1,536,499	1,030,479	(506,020)
TOTAL REVENUES	88,620,896	88,620,896	87,954,254	(666,642)
EXPENDITURES				
General Government:				
Salaries and Wages	2,681,088	2,681,088	2,391,681	289,407
Employee Benefits	3,923,003	3,923,003	3,741,353	181,650
Worker's Compensation Claims	-	-	-	-
General Insurance	1,045,771	1,045,771	1,046,528	(757)
Office Supplies and Expense	124,881	124,881	120,901	3,980
Professional Fees	967,559	967,559	929,767	37,792
Telephone	140,985	140,985	140,966	19
Equipment	223,769	223,769	212,046	11,723
Boards and Commissions	-	-	-	-
Utilities	957,465	957,465	967,878	(10,413)
Courts Awards & Settlements	-	-	-	-
Parking Authority Ticket Issuers	-	-	-	-
Parking Authority Debt payments	-	-	-	-
Other	5,238,010	5,238,010	4,273,407	964,603
Total General Government	15,302,531	15,302,531	13,824,527	1,478,004

CITY OF SCRANTON, PENNSYLVANIA

Supplemental Schedule of Revenue and Expenditures - Budget and Actual - General Fund
For the Year Ended December 31, 2016

Public Safety:				
Salaries and Wages	23,087,243	23,087,243	22,810,650	(276,593)
Employee Benefits	24,624,263	24,624,263	24,711,683	87,420
Supplies	68,721	68,721	66,484	(2,237)
Equipment	1,881,089	1,881,089	375,927	(1,505,162)
Training	207,612	207,612	203,242	(4,370)
Professional Fees	123,555	123,555	116,531	(7,024)
Total Public Safety	49,992,483	49,992,483	48,284,517	1,707,966
Public Works				
Salaries and Wages	4,605,636	4,605,636	4,027,486	(578,150)
Employee Benefits	2,546,794	2,546,794	2,911,296	364,502
Supplies	322,494	322,494	272,309	(50,185)
Professional Fees	72,821	72,821	66,020	(6,801)
Equipment	1,049,647	1,049,647	961,219	(88,428)
Landfill Fees	1,561,948	1,561,948	1,520,424	(41,524)
Flood Protection	49,500	49,500	46,422	(3,078)
Salt	259,900	259,900	251,872	(8,028)
Street Lighting	832,686	832,686	832,666	(20)
Total Public Works	11,301,426	11,301,426	10,889,714	411,712
Culture and Recreation				
Salaries and Wages	549,593	549,593	564,873	15,280
Employee Benefits	2,520	2,520	2,940	420
Supplies	53,700	53,700	42,873	(10,827)
Programs	20,500	20,500	18,640	(1,860)
Equipment	95,000	95,000	20,277	(74,723)
Total Culture and Recreation	721,313	721,313	649,603	(71,710)
Debt service payments	5,379,840	5,379,840	12,442,160	7,062,320
TOTAL EXPENDITURES	82,697,593	82,697,593	86,090,521	10,588,292
Excess of Revenues Over (Under) Expenditures	5,923,303	5,923,303	1,863,733	(11,254,934)
Other Financing Sources (Uses)				
Proceeds from Tax Anticipation Notes	12,750,000	12,750,000	12,750,000	-
Repayments of tax anticipation notes	(12,960,000)	(12,960,000)	(13,014,161)	(54,161)
Court award	(27,779,400)	(27,779,400)	(31,310,879)	(3,531,479)
Parking authority debt payments	-	-	(31,864,978)	(31,864,978)
Bond issuance	29,100,000	29,100,000	74,018,961	44,918,961
Operating Transfers out	(8,823,003)	(8,823,003)	(8,823,003)	-
Operating Transfers in from:				
Liquid Fuels Fund	1,495,000	1,495,000	1,016,976	(478,024)
Other Funds	245,000	245,000	-	(245,000)
Net Other Financing Sources (Uses)	(5,972,403)	(5,972,403)	2,772,916	8,745,319
Sale of Sewer Authority	-	-	66,519,986	66,519,986
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(49,100)	(49,100)	71,156,635	64,010,371
Fund Balance, Beginning of Year	15,734,359	15,734,359	5,353,203	(10,381,156)
Fund Balance, End of Year	**$ 15,685,259**	**$ 15,685,259**	**$ 76,509,838**	**$ 53,629,215**

CITY OF SCRANTON, PENNSYLVANIA

Combining Balance Sheet – Non-Major Governmental Funds
For the Year Ended December 31, 2016

	Liquid Fuels	Capital Projects	Redevelopment Authority	Special Cities	Debt Service	Total Non-Major Governmental Funds
ASSETS						
Cash and cash equivalents	$ 798,308	$ -	$ 579,890	$ 3,082,667	$ -	$ 4,460,865
Accounts receivable, net	15	-	-	1,929,897	-	1,929,912
Loans receivable	-	-	68,421	-	-	68,421
Due from other funds	-	-	-	904,133	-	904,133
Restricted assets:						
Restricted cash and cash equivalents	-	-	-	-	631,658	631,658
Property held for resale	-	-	98,935	-	-	98,935
Total Assets	$ 798,323	$ -	$ 747,246	$ 5,916,697	$ 631,658	$ 8,093,924
LIABILITIES AND FUND BALANCE						
Accounts payable	$ -	$ 25,527	$ 7,971	$ 1,932,615	$ -	$ 1,966,113
Due to other funds	-	-	515,774	972,355	-	1,488,129
Unearned revenue	-	-	42,599	2,850,288	-	2,892,887
Total Liabilities	-	25,527	566,344	5,755,258	-	6,347,129
Deferred Inflow of Resources						
Unavailable revenues	-	-	68,421	-	-	68,421
Total Deferred Inflow of Resources	-	-	68,421	-	-	68,421
Fund Balance						
Nonspendable	-	-	98,935	-	-	98,935
Restricted for debt service	-	-	-	-	631,658	631,658
Restricted for externally imposed restrictions	798,323	-	513,782	161,439	-	1,473,544
Unassigned	-	(25,527)	(500,236)	-	-	(525,763)
Total Fund Balance	798,323	(25,527)	112,481	161,439	631,658	1,678,374
Total Liabilities and Fund Balance	$ 798,323	$ -	$ 747,246	$ 5,916,697	$ 631,658	$ 8,093,924

CITY OF SCRANTON, PENNSYLVANIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
For the Year Ended December 31, 2016

	Liquid Fuels	Capital Projects	Redevelopment Authority	Special Cities	Debt Service	Total Non-Major Governmental Funds
REVENUES						
Intergovernmental	$ 2,150,369	$ -	$ 146,894	$ 5,716,831	$ -	$ 8,014,094
Departmental earnings	-	-	-	401,515	-	401,515
Interest income	5,163	-	284	1,742	289	7,478
Other revenues	-	-	25,003	51,291	-	76,294
Rents and concessions	-	-	5,710	-	-	5,710
Total Revenues	2,155,532	-	177,891	6,171,379	289	8,505,091
EXPENDITURES						
Current:						
General government	907,638	-	-	86,710	-	994,348
Public safety			-	2,292,378		2,292,378
Public works	-	-	-	5,470,041	-	5,470,041
Health and welfare	-	-	-	-	-	-
Community development	-	-	181,162	-	-	181,162
Debt Service:			-			
Debt service principal	-	-	-	-	4,090,000	4,090,000
Debt service interest	-	-	-	-	4,860,734	4,860,734
Capital Outlay	-	-	-	-	-	-
Total Expenditures	907,638	-	181,162	7,849,129	8,950,734	17,888,663
Excess (Deficiency) of Revenues Over Expenditures	1,247,894	-	(3,271)	(1,677,750)	(8,950,445)	(9,383,572)
OTHER FINANCING SOURCES (USES):						
Issuance of bonds	-	-	-	-	-	-
Operating transfers in	-	-	-	-	8,823,003	8,823,003
Operating transfers out	(1,016,976)	-	-	-	-	(1,016,976)
Total Other Financing Sources (Uses)	(1,016,976)	-	-	-	8,823,003	7,806,027
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	230,918	-	(3,271)	(1,677,750)	(127,442)	(1,577,545)
Fund Balances, beginning of Year	567,405	(25,527)	115,752	1,839,189	759,100	3,255,919
Fund Balances, End of Year	$ 798,323	$ (25,527)	$ 112,481	$ 161,439	$ 631,658	$ 1,678,374